EVALUATION OF THE EUROPEAN COMMISSION’S SUPPORT TO THE HASHEMITE KINGDOM OF JORDAN

Final report
Volume 1 – Overall assessment

August 2007

Evaluation for the European Commission
This evaluation is commissioned by:

the Evaluation Unit common to:

EuropeAid Co-operation Office,

Directorate General for Development and

External Relations Directorate-General

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This evaluation is managed by the evaluation unit which also chaired the reference group composed of members of the services (EuropeAid, DG DEV, RELEX, ECFIN, EC Delegation in Jordan) and the Embassy of Jordan in Belgium.

The opinions expressed in this document represent the authors’ points of view which are not necessarily shared by the European Commission or by the authorities of the countries concerned.
Executive Summary

The present evaluation reviews the overall cooperation between the European Commission (EC) and Jordan over the period from 1996 to 2006. It is primarily meant to provide an input into future decision making related to EC cooperation and relations with Jordan. It will also contribute towards accounting for results and impacts to the European Institutions, and towards learning transferable lessons.

Although Jordan is one of the smallest countries in the region, it plays a key political role in maintaining the lines of communication between all parties, in fighting extremism, and in hosting thousands of Palestinian and Iraqi refugees. Jordan is among the most assisted countries in the world, the USA being by far its main development partner. It is also the first recipient of EC support per inhabitant in the Mediterranean region. Social and economic performances have been in constant progress over the past few years and poverty has been reduced, but the country’s economic prospects are severely constrained by many factors, including the fact that Jordan is one of the least favoured countries in the world in terms of water resources.

The Terms of Reference of this evaluation were prepared by an independent Evaluation Unit within the EC. The work was carried out between September 2006 and July 2007 by an external team composed of European and Jordanian experts. The process was monitored by a reference group presided over by the Evaluation Unit. The group members were selected from concerned EC services, including the EC Delegation in Jordan. The Jordanian Embassy in Brussels participated in the meetings. The conclusions are based on an analysis of more than one hundred documents and over 50 interviews with officials in the Delegation Office, in the Government, in other donor missions in Amman, and in Jordanian NGOs and SMEs. About 30% of interviewees had no responsibility in the evaluated activities.

Conclusions

The EC's strategy in Jordan has been coherent and relevant

The 2002-2006 period shows evidence of strategic management. Major shifts in the Government’s strategy have been accompanied by new priorities on the EC’s side in a context of systematic policy dialogue and pragmatic coordination with Member States. The new priorities have been rapidly and consistently applied in the areas of poverty alleviation and human rights. In addition, the challenging issue of gender has been mainstreamed strategically, i.e. at the right level and at the right place rather than systematically.

Joint policy development has been an effective and relatively efficient approach

Joint policy development is a process which is initiated with pilot projects, continued with large scale programme(s), and finalised with a sector policy managed by the Government and partly funded by an EC sector budget support. This is typically a long-term process, which requires a sustained and effective sector policy dialogue.

Over the last years, two examples of joint policy development have been encountered. Both have led to large-scale and sustainable impacts, respectively on the competitiveness of SMEs and the strengthening of poor municipalities. The efficiency of the policy development process has been assessed in the case of SMEs, and considered as relatively good.

The EC’s success with joint policy development owes to the fact that the EC was fully transparent in its policy dialogue, had a relatively neutral political profile, and had the capacity to engage
significant financial resources in sector budget support programmes. These strengths have proven to be useful in the case of poverty alleviation, where the policy development process has been initiated by a Member State and continued by the EC.

The policy development process has however faced repeated difficulties in the transfer of EC responsibilities to Jordanian institutions. A pending question is how to maintain the acquired knowledge and some institutional memory during a long enough time after this transfer.

**Impacts have been disappointing in the trade sector, but successful as regards economic stability and the management of urban water networks**

The analysis of strategy documents shows that very high expectations were put on trade liberalisation and export-based development. In relation to these key objectives, Jordanian industrial products have gained an access to the European Union (EU) market free of tariffs and quotas, and a critical mass of export-oriented industrial SMEs have been supported. The corresponding achievements are assessed as positive but modest. Jordanian exports to the EU are well diversified but slow growing in comparison to other markets, and no breakthrough has been observed in the supported SMEs’ exports to the EU.

In contrast, the EC has contributed to a trend of beneficial economic policy reforms dating back to the late 1980s and consisting in reducing State subsidies, increasing tax revenues, privatising loss-making State companies, and strengthening public finance management. These reforms have been passed and applied. They can be connected to improvements in the country’s performance in areas like tax revenue, public debt, growth, and income poverty.

Finally, the EC has played a pioneering and successful role in promoting a sustainable management of urban water networks, through a continued capacity-building effort, a systematic policy dialogue, and a series of innovative projects.

**The process of learning from difficulties has been lengthy**

In two instances, this evaluation has found that major strategic priorities relied upon implicit assumptions, i.e. benefits of trade liberalisation and mutual understanding. In the case of trade, it was implicitly assumed that the opening of the EU market, combined with a support to export-oriented SMEs, would entail a breakthrough in Jordanian exports to the EU. It is now established that these assumptions are not confirmed, but this lesson was learnt about two years later than it could have been. Furthermore, it took a few more years for new assumptions to emerge, and these assumptions are again mostly implicit. The consequence is a lengthy learning process, which in turn delays the corrective actions.

**Recommendations**

**Move up a gear with joint policy development**

As far as is relevant, any EC activity in Jordan should be explicitly embedded in a policy-development process. This should be made fully transparent to the Government and Member States, and subject to policy dialogue and EU-level coordination. This recommendation is not about doing things differently. On the contrary, the approaches which have worked well should be actively and explicitly promoted.

In the short term, the EC Delegation and the headquarter services dealing with Jordan should contribute to:

- raising awareness (first stage of the policy-development process) in areas like water pricing and climate change;
- preparing policy reforms through pilots and capacity building (second stage) in areas like strengthening civil society and the media, certification and other means to overcome the technical barriers preventing the access to the EU market;

- assisting in the Government’s policy reform processes (third stage) in areas like training for employment and unconventional water resources.

**Better management of the transfer of knowledge to Governmental institutions**

The previous recommendation is however contingent on the resolution of a problem identified in this evaluation, i.e. the difficulty encountered in transferring the experience accumulated through EC projects and programmes to Governmental institutions managing sector budget support programmes. This “knowledge management” problem is a difficult one in the sense that accumulated experience has to be transferred across institutions in a fast-changing context, and not within a stable organisation.

There is no state of the art solution which could be recommended for handling this problem, which was observed even in the case of EJADA although a lot of attention had been paid to sustainability. What must therefore be recommended is to concentrate on the result to be achieved (“Governmental institutions managing a sector budget support should maintain a close working relationship with those having the institutional memory of the previous project/programme”) and to leave room for innovative solutions to be proposed and tested on a case-by-case basis.

**Clarify implicit assumptions and proceed to early tests**

This evaluation concludes that the process of learning from difficulties has been lengthy in the area of trade. The learning process has been impeded by the fact that the achievement of key Barcelona objectives was based on assumptions which remained implicit in respect of Jordan, and which have not been tested fast enough. Moreover, the failing assumptions have been replaced by another set of assumptions which is again implicit, and this evaluation has identified another similar problem as regards the objective of “mutual understanding”.

In order to speed up the learning process, the EC should clarify how its interventions are meant to achieve the far-reaching strategic objective. These assumptions should be reviewed / evaluated as soon as possible. In order to achieve fast and effective learning, this process should be initiated and closely supervised by high-ranking managers in charge of the EC strategy in Jordan.
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<th>Description</th>
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<tr>
<td>BST</td>
<td>Business Service Team</td>
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<tr>
<td>CBJ</td>
<td>Central Bank of Jordan</td>
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<tr>
<td>CSP</td>
<td>Country Strategy Paper</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>ECHO</td>
<td>European Commission’s Humanitarian Aid Department</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<tr>
<td>EIDHR</td>
<td>European Initiative for Democracy and Human Rights</td>
</tr>
<tr>
<td>EJADA</td>
<td>Euro Jordanian Action for Development of Enterprise</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GoJ</td>
<td>Government of Jordan</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>JUMP</td>
<td>Jordan Upgrading and Modernisation Programme</td>
</tr>
<tr>
<td>MoPIC</td>
<td>Ministry of Planning and International Cooperation</td>
</tr>
<tr>
<td>MoWI</td>
<td>Ministry of Water and Irrigation</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>NIP</td>
<td>National Indicative Programme</td>
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<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PALD</td>
<td>Poverty Alleviation through Local Development</td>
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<tr>
<td>PAMD</td>
<td>Poverty Alleviation through Municipal Development</td>
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<tr>
<td>QIZ</td>
<td>Qualifying Industrial Zones</td>
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<tr>
<td>SAF</td>
<td>Structural Adjustment Facility</td>
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<tr>
<td>SME</td>
<td>Small or Medium-size Enterprise</td>
</tr>
<tr>
<td>ToR</td>
<td>Terms of reference</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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Introduction

Mandate and objectives of the evaluation

This evaluation is part of the evaluation programme of the Evaluation Unit common to: EuropeAid Co-operation Office, Directorate General for Development and Directorate-General for External Relations. It is conducted under the responsibility of the common Evaluation Unit1.

This is an external evaluation benefiting from the support and advice of a Reference Group involving EC officers at headquarters and Delegation, plus the Jordanian Embassy in Brussels (see 3).

It has three purposes, presented below by order of priority:

- Feedback into the decision-making processes at the level of EC cooperation and relations with Jordan in a forward-looking way. In this respect, the report includes recommendations in a context of transition from MEDA to the European Neighbourhood Policy (ENP), and at a time when the new strategy has just been finalised.

- Accounting for results and impacts to the European Institutions, and contributing towards informing the development partners transparently.

- Learning transferable lessons that might be used by the EC in its cooperation with other countries.

Scope of the evaluation

What is assessed in this report (central scope) is the design, formulation, and implementation of the EC strategy and activities in the areas of external relations with and development assistance to Jordan over the time period 1996-2006, i.e.:

- The EC objectives and priorities at global, regional and country level, as far as they pertain to Jordan, including the objectives set under MEDA I, MEDA II, the Association Agreement, and the Country Strategy Paper 2002-2006.

- The objectives of the European Neighbourhood Policy, as far as they pertain to Jordan, with a particular reference to the Action Plan underpinning the EC-Jordan partnership.

- All interventions programmed on a country basis during the evaluated period, including the National Indicative Programmes 2002-2004 and 2005-2006.

- All other EC-funded intervention implemented in the country irrespective of the funding channel, e.g. community budget lines, interventions at regional level (mainly in the areas of water and culture), thematic programmes (e.g. European Initiative for Democracy and Human Rights - EIDHR) and so on.

The activities under evaluation are studied in relation to other connected actions when appropriate (extended scope), and particularly to:

- The partner country’s policies

1 The evaluation is part of the Evaluation Unit’ 2005 work programme, available on the following site: http://europa.eu.int/comm/europeaid/evaluation/intro_pages/work_programme.htm
The EU’s policies

- Member State interventions and other international partners’ activities including joint contributions with the EC.
- European Investment Bank’s (EIB) interventions.

**Objectives and structure of the present report**

This first volume^2^ of the evaluation report contains:

- A short introduction to the context of the EC cooperation (Ch. 1) and to the EC interventions (Ch. 2)
- The main lines of the evaluation method together with a self-assessment of limitations (Ch. 3)
- The evaluation team’s answers to the nine questions asked in the terms of reference (Ch. 4)
- An overall assessment of the EC’s cooperation with Jordan (Ch. 5)
- A summary of conclusions (Ch. 6)
- A list of recommendations (Ch. 7)

The second volume comprises the detailed answers to the evaluation questions.

The third volume includes a full description of the evaluation method.

The fourth volume compiles a series of working documents.

The four volumes constitute Version 2 of the evaluation report, which is to be presented in a widely open seminar in Amman for discussion and comments. The third and final version will take stock of the comments received.

The final version will be disseminated in two forms:

- printed volume 1 including a CDROM with volumes 2, 3 and 4, and
- four volumes on the European Commission’s website.

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^2^ The first volume is available in English and Arabic.
1 Strategic context of the cooperation

1.1 EU policy framework

1.1.1 EU policies at global level

Development policy
The priorities of the European Union’s (EU) development policies have been set and refined in several treaties: sustainable social and economic development; progressive and smooth integration into the world economy; and poverty reduction. In 2000, poverty reduction was set as the primary objective, and this has been reiterated in the European Consensus on Development (2005). The EC also aims to guarantee that the principles of democracy, the rule of law, and good management of public affairs are upheld. Priorities have been set in the areas of trade, regional integration, fair access to basic services, transport, food security, rural development, and institutional capacity-building.

Cross-cutting issues such as gender and environmental protection have to be incorporated into all aspects of cooperation for development. The prevention of conflicts and crisis management are also to be given systematic attention.

External relations
The Common Foreign and Security Policy (CFSP) was established in 1999 (Amsterdam Treaty) with five fundamental objectives: to safeguard the common values, fundamental interests, independence and integrity of the Union; to strengthen the security of the Union; to preserve peace and strengthen international security; to promote international co-operation; to develop and consolidate democracy and the rule of law, as well as respect for human rights and fundamental freedoms.

1.1.2 EU policies at regional level

Barcelona process
The EU’s proximity policy towards the Mediterranean region is governed by the global and comprehensive Euro-Mediterranean Partnership launched at the 1995 Barcelona Conference between the European Union and its originally 12 Mediterranean Partners: Israel, Morocco, Algeria, Tunisia, Egypt, Jordan, the Palestinian Authority, Lebanon, Syria, Turkey, Cyprus and Malta.

The Euro-Mediterranean Partnership (EMP) comprises two complementary tracks, the bilateral and the regional agenda. Regional cooperation is an innovative approach which is implemented through multilateral conferences and regional programmes that cover a wide range of issues relating to all

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3 Communication of 20 November 2000.
4 “Eradication of poverty in a context of sustainable development” – Brussels: December 20th 2005
three chapters of the Euro-Mediterranean Partnership: (1) Political and Security Partnership, (2) Economic and Financial Partnership and (3) Social, Cultural and Human partnership.

The MEDA programme is the main financial instrument of the European Union for the implementation of the Euro-Mediterranean Partnership. Going far beyond traditional development aid, MEDA makes economic transition and free trade the central issue of EU financial cooperation with the Mediterranean region. The instrument offers technical and financial support measures to accompany the reform of economic and social structures in the Mediterranean partner countries, and it is implemented by the EC (EuropeAid). MEDA was set up in 1996 and amended in 2000 (MEDA II). The EU Member States are consulted on MEDA through the MED Committee.

European Neighbourhood Policy (ENP)

In the context of the EU’s 2004 enlargement, the ENP was designed to prevent the emergence of new dividing lines between the EU and its neighbours. The perspective is to move beyond cooperation to a significant degree of economic integration and the possibility for neighbouring countries to participate progressively in key aspects of EU policies and programmes.

1.1.3 Co-operation with Jordan

A Euro-Mediterranean Association Agreement with Jordan was signed in 1997 and came into force in 2002. It aims at creating a free trade area between the EU and Jordan, and helping to increase economic growth for the businesses community. The agreement provided for political dialogue to be established in the framework of an EU-Jordan Association Council. An Association Committee is subordinated to the Council and operates at a technical level.

Jordan is also among the first group of countries to have adopted an ENP Action Plan in 2005, which extends dialogue and cooperation to many new areas like democracy, judiciary, fight against terrorism, movement of persons, poverty reduction, science and technology.

1.2 Political, social, and economic challenges

Jordan and Israel signed a historic peace treaty in 1994. Since the outbreak of the Intifada in September 2000, Jordan has worked to maintain lines of communication between the Israelis and the Palestinians. Following the terrorist attacks of 9 November 2005 in three hotels in Amman, Jordan has been at the forefront of leading Arab countries fighting extremism. During summer 2006, Jordan provided considerable relief supplies to Lebanon and has supported efforts to generate international security assistance for Lebanese national forces.

Approximately 1.7 million registered Palestinian refugees and other displaced persons reside in Jordan, many as citizens. This is to be related to the fact that Jordan is one of the smallest countries in the region with 5.6 million inhabitants in 2004. Moreover, the Iraqi war caused a new and massive inflow of another 0.7 million refugees in 2004-2006.

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6 Council Regulation no EC/1488/96
7 In this report, the term “political dialogue” applies to the high-level meetings between the Government of Jordan, the EC and the Member States, which potentially cover all political issues. The term “policy dialogue” applies to lower-level and more specific interaction between the EC and governmental organisations, involving other partners or not.
8 The interested reader may find a more substantial description of the Jordanian context in Volume 4, section 1.
9 Including refugees.
10 UNHCR estimates, quoted by International Rescue Committee.
The country has one of the highest fertility rates in the MEDA region (3.5 births per woman). The average annual growth rate of Jordan’s population is 2.6%, while the labour force is increasing at 4% yearly, a growth rate which has been matched by that of the GDP in the past few years. However, unemployment remains high, 15% of the economically active population at the end of 2005. The recent Official Poverty Assessment shows that income poverty has diminished by around a third from 1997 to 2002, with the national poverty line dropping from 21.3% to 14.2% of the population.

Jordan is one of the best performing countries of the region in terms of life expectancy (72 years). Adult literacy (91%), access to basic services and education are close to other countries with similar income levels. These positive results are based on consistent levels of spending (more than 25% of GDP) on human development. The public level of consumption is however not sustainable and the country relies on external grants to finance its budgetary deficit. External debt attained 54% of GDP by the end of 2005, with its annual service amounting to 4% of GDP.

Economic prospects are severely constrained since Jordan is one of the least favoured countries in the world in terms of water resources. The country also depends on external sources for the majority of its energy requirements. The Jordanian economy is very heavily centralized in the capital of Amman, which concentrates 85% of the economic production.

Jordan is among the most assisted countries in the world\(^\text{11}\). External aid amounted to 7.5% of its GNI over the period 2002-2004. Over the same period, the USA was by far the main development partner, as shown in Figure 1 below.

**Figure 1 – Evolution of external aid 2000-2004\(^\text{12}\)**

\[\text{Source: OECD – Net ODA in million USD}\]

\(^{11}\) World Bank Development report: Aid/Head Jordan 2004 : $111, average aid/head middle income countries: $11

\(^{12}\) Other recent sources confirm this picture, e.g. Jordanian Times (May 2007): “The Kingdom received grants and loans totalling $700 million in 2006 ...The United States remains the country’s principal donor with an assistance package amounting to $300 million last year. In 2005 Jordan received $348.5 million in US assistance”. http://jordantimes.dot.jo/thu/economy/economy3.htm
2 EC cooperation and intervention logic

Jordan is the Mediterranean country that has received the most EC support per inhabitant over the last ten years\(^\text{13}\). During the period under evaluation, EC support was channelled primarily through the MEDA programme. Under the MEDA I programme (1995-1999), EUR 254 million of EC support was allocated to Jordan, or an average of EUR 50.8 million per year. Over the same period EUR 108 million (43% of allocations) was actually disbursed. By the end of 2004, Jordan was by far the best performer in terms of disbursement rate\(^\text{14}\).

In the following 5 year period (2000-2004), allocations reached a total of EUR 204 million, or 40.8 million per year on average. With disbursements increasing to EUR 243 million, the payment ratio over the same period stands at 119%. In the period 2005-2006, EUR 110 million of new allocations were foreseen for Jordan. EUR 60 million were allocated in 2005.

Figure 2 – Financial support per policy domain\(^\text{15}\)

<table>
<thead>
<tr>
<th>Policy Domain</th>
<th>Contracts</th>
<th>Disbursed</th>
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</thead>
<tbody>
<tr>
<td>Culture and communication</td>
<td>250</td>
<td>200</td>
</tr>
<tr>
<td>Education, training, HRD</td>
<td>100</td>
<td>50</td>
</tr>
<tr>
<td>Human rights, governance, peace</td>
<td>75</td>
<td>25</td>
</tr>
<tr>
<td>Multi-sector</td>
<td>500</td>
<td>400</td>
</tr>
<tr>
<td>Business environment</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Enterprises</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Poverty &amp; vulnerable</td>
<td>40</td>
<td>30</td>
</tr>
<tr>
<td>Water environment</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Others</td>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>

Million EUR, 1996-2006 - source: evaluation team's estimate

The Figure 2 displays the amount of support contracted / committed and disbursed during the evaluation period. The main support was targeted at “horizontal policies” (fiscal, public

\(^\text{13}\) Source: Mid-term evaluation of MEDA II, p. 116. Commitments amounted to EUR 10 per year per inhabitant under MEDA I and to EUR 9 per year per inhabitant under MEDA II

\(^\text{14}\) Source: Mid-term evaluation of MEDA II, appendix VI. Funds committed under MEDA I were disbursed in a proportion of 92%, in comparison to 72% in the other best performing countries.

\(^\text{15}\) The figures on which Figure 2 is based are available in Volume 4.
management considered as Multi-sector), mainly through Structural Adjustment Facilities (SAFs) and general budget support. There was also a significant financial support in specific policy domains like private-sector development, water and poverty alleviation.

The EC strategy was not formalised before 2002, when the Country Strategy Paper (CSP) 2002-2006\textsuperscript{16} was approved. “MEDA I operated on the basis of three-year indicative programmes, with individual projects being presented to the MED Committee in large numbers, each being assessed on its own merits but without taking into account the broader strategy” (EC, Euromed Special Feature, 2001). De facto, “the highest priority in the EC’s assistance to Jordan was to support the process of economic reforms and the development of the private sector”\textsuperscript{17}.

Figure 3 presents the overall logic of the EC cooperation with Jordan in the form of a diagram of expected effects. The diagram shows the chains of logical links between EC cooperation and its impact in terms of shared peace and prosperity.

This diagram served as a basis for selecting the evaluation questions listed in Table 1, which guided the collection and analysis of data and the evaluation team’s assessment.

Figure 3 – Overall logic as understood by the evaluation team

Through its analysis, the evaluation team identified five main drivers to the global objective of shared peace and prosperity:

\textsuperscript{16} At the stage of writing this draft inception report, the evaluation team has not found any document stating the objective of the EC in Jordan for the period 1995-2002.

\textsuperscript{17} Evaluation of MEDA 1 – Jordan country report
Sustainable economic development
- Poverty alleviation
- Regional security and stability
- Mutual knowledge and understanding
- Human rights, democracy and rule of law

In this report these five concepts are called “paths towards shared peace and prosperity”. They have been used in this report for analysing the financial support under evaluation in terms of its overall orientation towards shared peace and prosperity.

The overall logic of EC’s cooperation with Jordan would deserve to be reanalysed in the light of the Action Plan approved in 2005 (see 1.1.3) and the subsequent programming documents. Such an analysis would probably enlarge the list of intermediary impacts, the overarching impact being relabelled as “stability, security and well-being”.
3 Evaluation method

After consulting the services of the European Commission, the Evaluation Unit prepared the terms of reference of this evaluation (see Volume 3).

The work was monitored and commented on in four successive meetings of the reference group, presided over by the Evaluation Unit (see minutes in Volume 3). The reference group meetings were mirrored by parallel meetings in Jordan involving the EC Delegation staff and the Ministry of Planning and International Cooperation (MoPIC).

This external evaluation was entrusted to an independent team consisting of a European leader and a Jordanian coordinator, as well as several Jordanian and European sector experts. A significant part of the work was undertaken in Jordan in a spirit of contribution to and enhancement of local evaluation skills.

The evaluation consisted of the following steps:

- **Desk phase (1):** inventory and analysis of EC interventions in Jordan; choice of evaluation questions; interviews within the EC and the Government of Jordan; documentary analysis; preliminary answers to the questions.
- **Field phase (2):** interviews with other donors and non-state actors; in-depth inquiries into a few specific issues.
- **Synthesis phase (3):** analysis, final answers to the questions, overall assessment, conclusions, lessons and recommendations, finalisation of the report.

This evaluation focuses on nine questions proposed by the evaluation team, discussed with and validated by the reference group, and attached to the Terms of Reference.

<table>
<thead>
<tr>
<th><strong>Table 1 – Evaluation questions</strong></th>
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<tr>
<td><strong>Coherence of strategy (S)</strong></td>
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<td><strong>Jordanian Government's priorities (G)</strong></td>
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<tr>
<td><strong>Macro-economic policy reforms (E)</strong></td>
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<tr>
<td><strong>Free trade and exports (T)</strong></td>
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<td><strong>Poverty alleviation (P)</strong></td>
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<td><strong>Water resources management (W)</strong></td>
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<td><strong>Civil society and media (C)</strong></td>
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<td><strong>Instruments supporting SMEs (I)</strong></td>
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<td><strong>Cross-cutting issues (X)</strong></td>
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</table>
The set of questions covers the seven evaluation criteria described in EuropeAid’s evaluation guidelines. One of the questions has been purposely focused on efficiency, an evaluation criterion which tends to be poorly addressed in country-level evaluations.

Figure 4 – Questions and evaluation criteria

The above figure is explained in more detail in the first sub-sections of the next chapter (“approach to the question”).

The questions are answered on the basis of the following information sources and analyses, mainly:

- Documents concerning the planning, management, monitoring and evaluation of EC aid\(^\text{18}\), as well as documents put out by the government, other donors and other organisations. A total of 110 documents were analysed. The main ones are listed in Volume 3.

- Interviews held at the EC headquarters, the Delegation, the government, the missions of other donors in Amman, Jordanian NGOs, SMEs and municipalities. More than 50 interviews were held. The list of the main people interviewed is presented in Volume 3.

- A rapid assessment of nine interventions selected to cover all the categories of aid implemented during the evaluated period. The assessments are presented in Volume 3.

- An in-depth investigation into a few interventions, areas and events specifically selected for answering the evaluation questions. Areas of in-depth investigation are mentioned at the end of the first sub-section in the next chapter (“approach to the question”).

\(^{18}\) Particularly useful information was provided by the project monitoring reports (Result-Oriented Monitoring), the evaluation of the EjADA direct support to SMEs, the appraisal of the PALD programme, and Jordanian specific appendices in several thematic and regional evaluation reports.
The evaluation method is described in full in Volume 3.

The quality and impartiality of this evaluation were verified by a European expert who was not part of the evaluation team.

The methodological limitations applying to the main messages and conclusions are mentioned in the following pages. The evaluation team’s main concern is about the unexplained gap between the EC’s and Jordan’s statistics in the area of trade, which weakens the answer to the question T, and the conclusions building on this answer.
4 Answers to the questions

This chapter presents the evaluation team's answers to the nine questions asked. Volume 2 presents the factual elements and reasoning on which the answers are based.

4.1 Coherence of strategy (S)

Have EC cooperation and external policies affecting Jordan been oriented towards clearly focused priorities and coherent objectives?

4.1.1 Coherence of strategy (S) - approach to the question

This question addresses the articulation of EC objectives at country and general level, and the articulation between objectives and implementation, two issues which were highlighted in the Terms of Reference (ToR). During the pilot mission in Amman, doubts were expressed about the EC's capacity to focus on key priorities.

This question mainly belongs to the family of coherence. Coherence is also addressed through question G (coherence with the Government and other donors' strategies), and some sector-based questions which include assessments of the relevance to the country's needs and assessments of the coherence with other EU strategies.

The question pertains to the EC's strategy in Jordan. The main focus is on the CSP, but this section has a broader scope (including the years before 2002 and recent thoughts about the Neighbourhood Policy). The question covers not only activities funded under MEDA but also those implemented in any other EC policy framework, provided that they benefit Jordan directly.

The judgement criteria are the following:

- Objectives are structured and prioritised in an explicit way
- EC activities are logically connected to the overall objective of shared peace and prosperity
- Potential conflicts between objectives have been identified and prevented, and potential synergies have been identified and promoted.

The question is answered by testing the following assumptions:

- The EC strategy has been consistently geared to achieving key and well-defined objectives
- The overarching strategic objectives are reflected in subsequent decisions, especially in resource allocation
- Potential conflicts between EC objectives have been identified and prevented, and potential synergies have been identified and promoted.

The answer to this question builds upon data analysed at the level of the EC country strategy as a whole. Potential conflicts and synergies are further investigated through a deeper examination of a number of specific case studies.

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19 E.g. EC financial contribution to: the United Nations Relief and Works Agency (UNRWA) targeting Palestinian refugees, ECHO's humanitarian assistance, EIDHR projects, exceptional food security support and complementary rehabilitation projects in favour of drought-affected communities, NGO projects co-financing involvement of Jordanian actors in European projects like LIFE.
few relevant cases like pro-poor components of the SAFs, support to SMEs and trade liberalisation, human rights and poverty alleviation.

4.1.2 Coherence of strategy (S) - overall answer

In 2002, the EC equipped itself for the first time with a strategy connecting its actions in Jordan, the objectives of the Barcelona Declaration, and the specific needs of the country. The CSP had a relatively explicit hierarchy of objectives, and all prime objectives were articulated with the Euro-Mediterranean policy.

Their meaning has however been taken for granted, which sometimes entails weaknesses in the consistency of the strategy. When analysing the EC strategy documents, the evaluation team could not retrieve any consistent chain of assumptions explaining why and how the support would contribute to achieving major objectives like “conflict prevention” and “mutual understanding” (see 5.2.2). Another logical gap was the lack of explanation of how trade liberalisation was seen as a driver to economic development (see 5.2.1).20

The CSP included the new objectives of “poverty alleviation” and “human rights”. These two strategic shifts have been fully reflected in the financial decisions taken subsequently, and in the projects and programmes which have been implemented in the past few years.

However, the two new priorities piled up over, a practice which has been continued in the most recent years. There are no signs that the entry of a new priority in the EC's strategy has lead to the exit of a previous one. Moreover, Jordanian actors are increasingly involved in calls for proposals which are managed at the regional or European levels with uneven connection with the EC’s priorities in the country.

The CSP points out two connections between EC cooperation and other European policies, i.e. (1) EC trade policy, and (2) EU foreign policy and contribution to settling regional conflicts. In the first instance, potential synergies have been actively promoted (see 4.4.2). Due to the tight constraints of the regional context, almost no connection could be made between the EC cooperation in Jordan and the EU’s contributions to the regional peace process, despite a few attempts in the area of cross-border water management.

There is a formal coherence between the regional MEDA programme and the EC strategy in Jordan, in so far as both are geared to the overarching objective of shared peace and prosperity. However, the evaluation team has observed little mutual support across both levels, except in the field of unconventional water resources where EC projects at regional and national level successfully complemented one another (see 4.6.3).

20 A look at the latest programming documents shows that these logical gaps have not yet been bridged.
4.1.3 Coherence of strategy (S): main message and justification

The EC's strategy was relatively coherent and actually applied

In 2002, the EC equipped itself for the first time with a relatively explicit hierarchy of objectives connecting most of its actions in Jordan, the objectives of the Barcelona Declaration, and the specific needs of the country. Since then the strategy has been consistently applied, in the sense that the new priorities (poverty alleviation and human rights) have been fully reflected in the allocation of human and financial resources, in policy dialogue, and finally in projects and programmes which have been rapidly implemented.

It was agreed that the strategy should be assessed as “coherent” if “the objectives are structured and prioritised in an explicit way”, and if “EC projects / programmes are logically connected” to them.

Despite reservations about insufficient prioritisation efforts and some poorly articulated objectives, the evaluation team considers that the strategy has been coherent. This assessment builds upon the following arguments.

Poverty alleviation and human rights were explicitly stated as new priorities in 2002.

Subsequent to this strategic shift, the EC significantly changed its allocation of resources:

- The share of financial commitments targeted at poverty alleviation has risen significantly. Funds targeted at poverty alleviation have increased faster than those targeted at all four other “paths to shared peace and prosperity” (see Figure 5).
- The Delegation has made substantial and rapid efforts in the area of human rights and civil society.

Figure 5 – Share of commitments targeted at the five “paths towards shared peace and prosperity”
The EC and the EU have successfully targeted the two new strategic priorities in their dialogue with the Government:

- Interviews show that the dialogue with EC initiated the new “bottom-up” approach by the Government to tackle poverty pockets.
- Jordan recently agreed to the creation of a Sub-Committee on Human Rights to engage in a structured dialogue with the EU on progress achieved in this area. This is the first mechanism of this kind in the MEDA region. This dialogue with the EC/EU is considered to be a major contribution to the recent integration of a number of human rights treaties into Jordanian law, a step which had been awaited for ten years in some instances (see Volume 2, section 7.5).

Finally, the new strategic priorities were converted into financial commitments in two years or less. This is faster than usual in comparison to other country strategies, to the knowledge of the evaluation team (e.g. six years in Tanzania).

4.2 Jordanian Government’s priorities (G)

Have EC cooperation and external policies in Jordan been aligned on the Government’s priorities?

4.2.1 Jordanian Government priorities (G): approach to the question

The ToR require the evaluation to assess the “ownership of [the EC’s] strategy by the partner country”. Contrary to such an approach which takes the standpoint of the EC, it was decided during the inception phase to take the standpoint of Jordan and to assess the “alignment of EC on the Government’s priorities”. A marked interest was expressed in a dynamic approach to this question.

As a consequence, the analysis covers the whole time period under evaluation (before/after the CSP)\(^1\).

The question belongs to the family of coherence, and especially external coherence. European value added is also considered, as well as relevance, assuming the Government’s priorities reflect the main needs of the country and the challenges it faces.

The judgment criteria are the following:

- The main changes in the allocation of EC funds are in line with the main changes in the Government priorities
- The EC has taken stock of other donors’ comparative advantages as they are perceived by the Government.

In the course of this evaluation, the criterion of alignment of strategies has been thoroughly discussed, and this has led to conclusions which both reflect the criterion and transcend it (see 6.1). Similarly, the criterion of comparative advantage has been thoroughly discussed, and applied in an innovative way (see 5.5).

The question is answered by testing the following assumptions:

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\(^1\) Contrary to what was stated in the inception report in which this question focused on the CSP only.
The EC has joined its efforts to those of EU Member States and EIB with an aim to matching the Government priorities in a dynamic way, taking stock of the respective comparative advantages within the EU.

The EC and EU achieved high-level dialogue with the Government as regards strategy-making and the formulation of priorities on both sides.

The main changes in the allocation of EC funds are in line with the main changes in the Government’s priorities, relative to the respective comparative advantages within the EU.

The answer to this question builds upon data analysed at the level of the EC country strategy as a whole.

### 4.2.2 Jordanian Government priorities (G): overall answer

The EC has progressively set up adequate coordination arrangements with all EU actors, i.e. Council, EIB and Member States. Actual coordination is becoming effective, mainly in terms of mutual information and avoidance of overlapping. There are however no reasoned and formal commitments of EU players to specialise in particular sectors or activities according to a common understanding of their comparative advantages.

The EC has managed to have satisfactory dialogue with the Government at both technical and political levels.

On the technical level, the traditional approach was that line ministries submitted their projects to the donor community through the MoPIC, a system which tended to generate competition between donors. In 2000, the EU was instrumental in initiating dialogue among all donors/lenders. This was done by setting up a “Donor/Lender Consultation Group”. The group was created “at the request of the European Ambassadors in Amman”. The Commission and the Member State presiding over the Council provided the first six-month presidency of the Consultation Group. The aim of the EU was, *inter alia*, to avoid donors’ competitive behaviour.

On a more strategic level, the EC has managed to accompany all major shifts in the Government’s strategy during the period under study (see 4.2.3 below) and, in addition, has sometimes contributed to putting new issues on the Government’s agenda through a mix of systematic dialogue and technical assistance. In the infrequent instances where the has dialogue remained ineffective, the EC has sometimes deployed an alternative approach which consists in paving the way for future reforms by supporting civil society organisations, for instance in the area of women’s rights (see 4.7.3).

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22 Interviews also suggest that the EC is not good at playing such a competition game because its decision-making mechanisms are lengthy.
### 4.2.3 Jordanian Government priorities (G): main message and justification

<table>
<thead>
<tr>
<th>The EC's strategy has been aligned on Jordan's priorities in a dynamic way</th>
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<tbody>
<tr>
<td>Notwithstanding that the EC has provided only a minor share of external assistance to Jordan, it has managed to accompany all major shifts in the Government’s strategy during the period under study and, in addition, has sometimes contributed to putting new issues on the Government's agenda through a mix of systematic dialogue and technical assistance.</td>
</tr>
</tbody>
</table>

A positive answer to question G could be given if the allocation of EC funds followed the main changes in the Government’s priorities.

The evaluation team’s positive answer derives from a review of the most significant changes in the Government’s strategy over the last ten years (as assessed by the four Jordanian experts of the evaluation team in a workshop held in Amman in March 2007), i.e. (1) privatisation in the mid-90s, (2) poverty alleviation in 2002, and (3) strengthening of municipalities in 2006:

- The EC has accompanied the privatisation process in two ways: multilateral policy dialogue on privatisation in connection with SAFs, and successful building of the Government's capacity to manage the privatisation of urban water.

- The EC has accompanied the Government’s shift in its approach to poverty alleviation (see Figure 8) by promoting a decentralised “bottom-up” strategy based on local development in the poorest municipalities (see 4.5.2) and by increasing the share of its financial commitments targeted at poverty alleviation (from 13% to 21%) whilst none of the four other targeted objectives had its share increased significantly (see Figure 5).

- At the same time, the EC support to poverty alleviation fuels the Government’s decentralisation reform and contributes to strengthening the municipalities.
In the latter case, the EC has not only accompanied the Government’s strategic change, it has also played a role of precursor and agent of change. This role departs from the mere “alignment on the Government’s priorities” which was the judgement criterion initially agreed on. With the agreement of the steering group, the fact of putting new issues on the Government’s agenda has been assessed positively.

Such a role has also been observed in several other instances like:

- The reform of the competition policy which has been revived under the auspices of the EC-supported EJADA\(^\text{23}\) programme, after having been clinically dead for several years.
- The legislative reform aiming to facilitate the use of treated waste water in the context of a systematic promotion of unconventional water resources.

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23 Euro Jordanian Action for Development of Enterprise
4.3 Economic policy reforms (E)

To what extent has the EC contributed to the improvement of Jordan’s macro-economic policies?

4.3.1 Economic policy reforms (E) – approach to the question

A major part of EC financial assistance has been channelled through SAFs (Structural Adjustment Facility), and has been conditional, *inter alia*, to progress in achieving structural reforms. This is why this evaluation has looked into economic policy reforms.

The question mainly belongs to the family of effectiveness. Coherence is also at stake (between EC and other donors), as is EC value added (with respect to Member States and to multilateral institutions).

The judgement criteria are the following: economic policy reforms are passed and implemented with an aim to: (1) increasing tax revenue, (2) mastering public expenditures, and (3) changing the role of the State. These criteria refer to the economic challenges faced by Jordan at the beginning of the millennium, i.e. large budget deficit, unsustainable level of public sector consumption, and large State-owned loss-making companies. They also refer to the CSP which recognises the need to shift the role of Government from management to regulation of major commercial sectors.

The question is answered by testing the following assumptions:

- The EC has targeted a substantial part of its support at promoting and facilitating policy reforms in the area of increasing revenue, mastering expenditures, and changing the role of the State.
- The EC has combined its efforts with those of EU Member States on these issues.
- The EU has achieved high-level dialogue with the Government on these issues.
- Thanks to policy dialogue with and technical assistance from development partners, the Government has passed and implemented major policy reforms aimed at increasing revenue, mastering expenditures, and changing the role of the State.

Data are first gathered and analysed at the level of EC cooperation as a whole and at the level of all Government policies. The specific contribution of the EC is further analysed through three policy reforms which are considered as having been very important for the country’s macro-economic stability during the past ten years: increase in the VAT rate from 7% to 17%, privatisation of water in Greater Amman, and pension reform.

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24 The disbursements of the SAF I (EUR 50 million), SAF II (EUR 80 million), and SAF III (EUR 60 million in 2002) were contingent on the implementation of successive programmes of economic reforms. The same types of implementation modalities apply to more recent general budget support programmes, such as the Emergency Budgetary Support in Jordan (Euro 35 million) and the support to the Implementation of the National Agenda (EUR 20 million in 2006).


26 Opinion of the Jordanian experts in the evaluation team, after discussion with the reference group.
4.3.2 Economic policy reforms (E) – overall answer

The EC has constantly focused on the public sector reforms needed for achieving macro-economic stability. These reforms have been stated as conditionalities in the three successive SAFs and as the Government’s commitments in the subsequent budget support programmes. They have been subject to systematic donor coordination and policy dialogue (see Volume 2, section 3).

In the case of the privatisation of water, the EC has made an additional contribution through sustained and successful capacity-building assistance which has enabled Jordanian authorities to manage the contracts with private-sector operators (see 4.6.3).

Through these various channels, the EC has been one among other contributors to a trend of economic policy reforms dating back to the late 1980s and aimed, inter alia, at reducing State subsidies, increasing tax revenues, and privatising loss-making State companies. These reforms have been passed and applied and they can be connected to improvements in the country’s performance in areas like tax revenue, public debt, growth, income poverty (see 4.3.3 below).

4.3.3 Economic policy reforms (E) - main message and justification

<table>
<thead>
<tr>
<th>The EC has been one among other contributors to a trend of beneficial economic policy reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through a mix of budget support, policy dialogue and capacity-building, the EC has been one among other contributors to a trend of economic policy reforms dating back to the late 1980s and aimed, inter alia, at reducing State subsidies, increasing tax revenues, and privatising loss-making State companies. These reforms have actually been passed and applied. They can be connected to improvements in the country’s performance in areas like tax revenue, public debt, growth, income poverty, etc.</td>
</tr>
</tbody>
</table>

It was agreed that the improvement of macro-economic policies should be assessed positively if reforms have been passed and implemented with an aim to (1) increasing revenue, (2) mastering expenditures, and (3) changing the role of the State (see “judgement criteria” at the top of this section).

The conclusion is that a trend of such reforms was initiated in the late 1980s and consistently continued up to now. This conclusion is supported by the evaluation team’s interviews and documentary analyses (see Volume 2, section 3.5). It is further confirmed in the following three examples which have been analysed in more depth:

- VAT - The increase of the rate and coverage of VAT has been the main step taken by the Government to increase revenue. It was progressively implemented between 1995 and 2003. It was part of the Government’s commitments associated with the successive EC-supported SAFs, especially the second SAF which was associated with intense capacity-building and policy dialogue on VAT (see Volume 2, section 3.3).

- Pension reform - The 2002 pension reform is a major achievement in terms of mastering expenditures since the public sector pension schemes (army and civil servants) accounted for 15% of Government expenditure and were increasing by 10% yearly. Pensions are now progressively being transferred to the sustainable social security system. This important reform was a conditionality of the third SAF, and as such has been subject to thorough discussion between the EC and the Government in a context of multilateral donor coordination (see Volume 2, section 3.3).
Privatisation - Privatisation of the water supply and sanitation networks is part of a wider policy of selling loss-making state-owned activities, which has been a joint priority of the Government and the donor community since the 1989 financial crisis when the country was unable to meet its external obligations. The main water supply and sanitation networks have been privatised during the past few years: Greater Amman in 1999, Aqaba in 2002 and the Northern Governorates in 2004. This is a success story in the shift from poorly managed State-owned companies to a macro-management of the water sector (see 4.6.3). There is no evidence that the privatisation of water supply has been a hot issue in the policy dialogue, but the EC has made a fairly important contribution to building the management capacity of the Ministry of Water (see 4.6.3).

In the first two instances, the merits of the EC should not be overestimated since many partners contributed to macro economic assistance and promoted the same package of reforms. Moreover, the reforms were strongly backed by the Government, and some of them were initiated quite early (1994 for the VAT). This means that the donor community may have accelerated the reforms rather than initiated them.

It is the evaluation team’s view that the improvement of economic policies can be connected to improvements in the country’s performance in areas like:

- **Tax revenue** - Tax revenue as a percentage of the GDP increased from 15.7% in 2001 to a level of 19.7% in 2005.
- **Public debt** - The public debt ratio was reduced from more than 210% of GDP in 1990 to 83% in 2005, and is projected to drop further to 74% of GDP by end-2006.
- **Growth** - During the period 2000-2005, economic growth averaged 6% per annum, which compares with an average annual growth rate of less than 3% for the previous five-year period.
- **Income poverty** - The national poverty line dropped from 21% to 14% of the population between 1997 and 2002.

### 4.4 Free trade and exports (T)

To what extent has the EC’s support in the areas of trade and private-sector development contributed towards increasing exports?

#### 4.4.1 Free trade and exports (T) – approach to the question

The EU is Jordan's main trade partner. Trade liberalisation is part of the second objective of the Barcelona process. It is by far the main objective of the Association Agreement. It is the first objective in the CSP text, although it may not have the highest degree of priority. Trade liberalisation was a condition of budget support and it has been subject to technical assistance. The EC has promoted Jordanian exports through its support to SMEs (see 4.8)\(^\text{28}\). Again, the

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\(^{27}\) See Volume 2, Box 7 - This view has not been subject to a systematic cause-and-effect analysis because the question E is about the improvement of Jordan’s macro-economic policies, not about macro-economic performances.

\(^{28}\) The EC support to Jordanian exports has been mainly indirect, which means that it does not make sense to mention the amount of expenditures related to this purpose.
enhancement of Jordan’s export potential is one of the eight areas deserving “particular attention” in the Action Plan approved in 2004.

This question mainly belongs to the family of effectiveness. Coherence and complementarity are also at stake (between EC policies, and between the EC and other donors), as well as relevance (EC objectives as compared to the challenges faced by Jordan in the world market).

The judgement criteria are the following:

- Breakthrough in exports to EU
- Originating from Jordanian firms and from FDIs
- With sufficient domestic value added

The question initially referred to the “increase of exports to the EU”. The term “breakthrough” was then introduced in the judgement criterion in light of Jordan’s huge trade deficit with Europe.

The question is answered by testing the following assumptions:

- The EC has targeted a substantial part of its support at creating an environment enabling Jordanian exports to grow
- The EC has combined its efforts with those of EU Member States in order to create a favourable environment for export-oriented enterprises, and to facilitate access to the EU market.
- The EU has achieved high-level dialogue with the Government about trade liberalisation and export-oriented business development.
- Thanks to policy dialogue with and technical assistance from development partners, the Government has progressed in trade liberalisation, regional integration, and improvement of the business environment.
- EC support to Jordanian enterprises led to a breakthrough in terms of exports to the EU, or at least to the likelihood that such a breakthrough would occur.

Data were first gathered and analysed at national level (EC cooperation as a whole, Government policies, trade statistics). The EC’s specific contribution was further analysed through an inquiry into export-oriented SMEs having benefited from direct EC support.

4.4.2 Free trade and exports (T) – overall answer

The strategy behind the Association Agreement was focused on trade liberalisation, including the reduction of EU tariffs and quotas, complemented by support to export-oriented SMEs. The implicit assumption was that export-based growth would follow.

This strategy has been fully implemented over the last ten years. Jordanian industrial products have gained access to the EU market free of tariffs and quotas, and a critical mass of export-oriented SMEs has been supported. Finally, the Government has passed and implemented a number of reforms in order to create a business-friendly environment, mainly with the support of the USA.

Since 2001, the EC has actively promoted regional integration through the Agadir process, which is seen as another approach to boost Jordan’s exports to the EU. The process is not yet advanced enough for assessing its impact.

The EC-supported SMEs have developed their awareness of international markets, their capacity to export, and their actual exports to Arab countries, the USA and other parts of the world. However,
this evaluation confirms that the expected breakthrough in their exports to the EU did not occur, despite a few low-scale success stories (see Volume 2, sections 4.6 and 8.4).

The analysed documents show that the lesson was already known in 2003 (see 5.2.1). In this context, the EC has recently refined its strategy by providing Jordanian enterprises with indirect assistance to match the technical requirements which constitute the main barriers preventing them from accessing the EU market.

The evaluation team considers that long and difficult steps have still to be taken before this third approach is able to generate the expected breakthrough in Jordanian exports to the EU.

### 4.4.3 Free trade and exports (T) – main message and justification

<table>
<thead>
<tr>
<th>The expected breakthrough in exports to the EU did not occur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Although Jordanian exports to the EU are growing and well diversified, the EU market remains the third destination for Jordanian exports, and not the fastest-growing one. No breakthrough has been observed in the EC-supported SMEs and there are signs that such a breakthrough is not likely to occur.</td>
</tr>
</tbody>
</table>

The question was initially referred to as the “increase of exports to the EU” (see “judgement criteria” at the top of this section). The term “breakthrough” was then introduced in the judgement criterion in light of Jordan’s huge trade deficit with Europe.

The answer combines three series of elements derived from trade statistics, visits to supported SMEs, and previous evaluations.

There is a wide discrepancy between trade statistics provided by Eurostat and the Central Bank of Jordan (CBJ). Depending on the source, Jordanian exports to the EU have grown at an annual rate of 35% or 16% over the last two years. The first figure can be called a “breakthrough” whilst the second one is just “growth”. The evaluation team has been unable to select one of the figures against the other and has therefore reached no conclusion on this point.
Figure 7 - Jordan's exports in 2005

According to the CBJ, the EU market is the fourth destination of Jordanian exports, far behind the Arab countries, the US, and India. The same source shows that exports to the EU have grown at a rate of 21% per year over the last five years, in comparison to 78% (USA), 21% (Arab countries), and 7% (India). The evaluation team has decided to take these comparative figures into consideration, even though trade statistics are not reliable in absolute terms. Surprisingly, European countries which do not belong to the EU represent a growing share of Jordanian exports.

In comparison with Europe, there has been an obvious breakthrough in exports to the US. This is mainly owing to the success of the ten year-old Qualified Industrial Zones (QIZ), where enterprises are allowed to export to the US goods that include a low (35%) domestic value added. It has been used by many Asian firms that invested in Jordan to circumvent US textile quotas. Jordan’s exports to the USA concentrate on textile and clothes (90%), which makes them vulnerable in the event of significant progress in WTO negotiations. In contrast, exports to the EU are well diversified and more sustainable.

Another approach to the issue of exports has been taken with the study of eight SMEs supported by EJADA and JUMP\(^\text{30}\) (see 4.8.3). All interviewed managers said that the EC-funded support had been effective in strengthening their enterprise, and there have been several breakthroughs in the area of exports, but none in the EU market. Moreover, the interviewed managers were somewhat pessimistic about their capacity to access the EU market in a near future.

\(^{29}\) In the case of QIZs, “domestic” means Jordan + Israel.

\(^{30}\) Jordan Upgrading and Modernisation Programme
A converging view was stated in the Jordan country report of the MEDA I evaluation (2003): “Jordanian exports to the EU have always been very small despite the privileged access to European markets ... Jordan’s exports to Europe will not grow in the medium term ... Nobody has so far identified the potential ‘winning’ sectors of trade openness in Jordan, despite a large amount of money spent in trade strategy studies, identification of competitive clusters, etc.”.

EC supported assistance to exports has ended in some success stories in a few sectors such as fruits, marble and pharmaceuticals (interview with a Government official), but trade liberalisation alone is no longer seen as a driver to the growth of exports to the EU – as confirmed by an interview with a Delegation official: “whatever is done with tariffs and quotas, it does not improve Jordan enterprises’ access to the EU market”.

In 2004, the EC issued a working paper on “Conformity Assessment and Acceptance of Industrial Products” with an aim to progressively overcome the technical barriers to trade. It is currently assisting Jordan in the preparation of an Agreement on Conformity Assessment and Accreditation, which will allow products certified in Jordan to be accepted in the EU. The evaluation team considers that this process is unlikely to generate a breakthrough in the short term because the Jordanian legislation has to be changed, and several institutions have to be created and made operational.

Finally the EC is supporting regional integration, and especially the Agadir Agreement, signed in 2004 between Morocco, Tunisia, Egypt and Jordan. One of the intended effects is to enable Jordanian-based enterprises to benefit from the Pan-Euro-Med Rules of Origin, seen as a chance to develop exports to the EU. However, the process is not yet advanced enough for assessing its impact, or even its likely impact.
4.5 Poverty alleviation (P)

To what extent has EC support contributed to satisfying the needs of the poor and near poor?

4.5.1 Poverty alleviation (P) – approach to the question

Poverty alleviation is a key objective in the CSP, to which and a sector budget support programme is linked\(^{31}\). Despite the improved economic performance, high unemployment, particularly among the young, and deep pockets of poverty persist.

This question mainly belongs to the family of effectiveness, but the EC interventions in the area are so recent that actual and likely effectiveness will be considered. Relevance is also an issue (alignment of EC objectives and the needs of the poor and the near-poor).

The judgement criteria are the following:

- The needs of the poor and near poor are identified and likely to be satisfied in terms of (1) employability and economic opportunities, (2) social security, (3) access to basic social services
- The poor and near poor have the capacity to express their needs (empowerment).

The terms “poor and near poor” need to be defined. Before poverty alleviation became a Government priority in 2002, the implicit view was that Jordan as a whole was poor (see Figure 8). In 2004, the Jordan Poverty Alleviation Strategy identified three categories: “the poorest of the poor”, the “working poor” and the “near poor”\(^{32}\). This categorisation recognises that poverty is dynamic in nature and that a large number of people who are not classified as “poor” are at risk of becoming so, hovering just above the poverty line.

In the same year a World Bank report disseminated the concept of “poverty pockets” which became the foundation of the Government’s policy targeted at poor municipalities\(^{33}\). In the course of this evaluation, it was suggested to consider the poorest people in the poverty pockets. Adopting one or the other definition does not make much difference in the concerned groups\(^{34}\), but the answer to the question is substantially affected (see 4.5.3). After having discussed the issue with the main stakeholders and the reference group, the evaluation team has decided to use both definitions.

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\(^{31}\) EUR 30 millions have been allocated and EUR 6 millions have been disbursed at the date of this evaluation (see Volume 2, section 5.2).

\(^{32}\) The Jordan Human Development Report 2004 also distinguishes three levels of “poor” with the following three categories: poorest of the poor, coping poor and near poor.

\(^{33}\) The 18 poorest municipalities have the lowest average income and a high proportion of inhabitants under the poverty line (JOD 26 / person / month in 2002). Their population is about 400,000, i.e. about 7% of the whole country’s population.

\(^{34}\) The evaluation team considers that a large proportion of the population of the poverty pockets is under the poverty line (local level statistical data are not available from household surveys)
The question is answered by testing the following assumptions:

- The EC has targeted a substantial part of its support to poverty alleviation and more specifically to the employment of the poor and near poor
- Together with concerned Members States, the EC has managed to create high-level dialogue with the Government on issues related to employment and poverty alleviation
- Thanks to dialogue with and assistance from its development partners, the Government has changed its approach to social policies with an aim to better address the challenges of the poor and near poor
- In the areas reached by the EC support, the poor and the near poor have been enabled to express their needs and their needs have been satisfied in terms of (1) employability and economic opportunities, (2) social security, and (3) access to basic social services.

Data are gathered and analysed at national level (EC cooperation as a whole, Government policies, data on poverty). The issue will be analysed in more depth through an investigation into two “pockets of poverty”.

### 4.5.2 Poverty alleviation (P) – overall answer

In pursuing macro-economic stabilisation, the Government and the donor community have considered the risk of vulnerable categories of the population suffering from negative side effects. As regards the EC, the SAF I and II included pro-poor conditionalities like the establishment of a social safety net. In its Human Development Report issued in 2004, the United Nations Development Programme (UNDP) assesses that the macro-economic stabilisation resulted in increased hardship for the poorer and more marginalised sectors of the population. The poverty assessments show however that income poverty diminished significantly between 1997 and 2002.

In 2002, the issue of the Jordanian poor was given the status of a strategic priority deserving the allocation of specific financial support. The EC responded to this strategic shift in two distinct ways: (1) education and training with an aim to prevent and reduce unemployment, and (2) local...
development in poor municipalities. Only the second type of support had reached the poor at the time of this evaluation.

In 2004, a World Bank report disseminated the concept of “poverty pockets” which became the foundation of the Government’s policy targeted at poor municipalities. The EC has made a distinctive input into the design of this new approach through an effective policy dialogue.

From 2000 to 2006, a pilot project was successfully implemented in 3 poor municipalities, first by GTZ, and then through smooth EC-Germany coordinated support. In this framework, the poorest among the poor were given a chance to express their needs. Pro-poor local development strategies were designed, and have been allocated sufficient resources (see 4.5.3 below).

Through an EC sector budget support programme, the Government is currently extending the pilot to 18 other municipalities, among the poorest in the country. Information available to the evaluation team shows that local economic development is gaining momentum in the targeted poor areas, which is a success. However, there are signs that the focus on the poorest among the poor is being lost in the transition from the pilot project to the EC-supported sector programme (see 4.5.3 below).

### 4.5.3 Poverty alleviation (P) - main message and justification

**Joint policy development process is effective in the area of poverty alleviation**

Through an effective policy dialogue, smoothly coordinated EC-Germany support, and a rapid transfer of responsibility to the Government, the EC has successfully contributed to empowering the poorest municipalities and to strengthening their economic development capacity. Although there are implementation delays, this approach is addressing the needs of the so-called “poverty pockets”, which are a major poverty challenge in Jordan.

The empowerment of the poor and the satisfaction of their needs (economic opportunities, social security, and basic services) are the judgement criteria associated with this question (see 4.5.1).

The EC has been instrumental in the formulation of the bottom up approach to poverty alleviation which has been adopted by the Government (see Volume 2, box 13). This has been achieved through an effective policy dialogue and the rapid initiation of a sector budget support programme called Poverty Alleviation through Local Development (PALD).

The adopted bottom-up approach focuses on the so-called “poverty pockets” by supporting economic development in the country’s poorest municipalities. Poor municipalities are pushed to identifying, voicing and addressing their needs through their own local development strategy.

It must be stressed that local authorities have been weak in Jordan until now and very much involved in a top-down relationship with the Government. The bottom-up approach is associated with a decentralisation reform, which represents a considerable change in the country’s governance.

Germany has paved the way for the EC’s contribution. This has been done through a series of GTZ-supported projects which combined local development, participatory approaches, and

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35 This is probably one of the reasons why the PALD programme is more than one year behind schedule.
poverty alleviation. The PAMD project initiated in 1999, in particular, served as a pilot for the EC-supported PALD programme. Moreover, the local development projects identified through PAMD were eventually funded through the EC-funded PALD programme, which is a showcase of smooth EU-level coordination.

The three PAMD-supported municipalities were among the poorest in the country and the pilot project had a clear pro-poor dimension. This can be seen from the evaluation team’s visit to Shuala, one of the three supported municipalities. The needs of the poor were given particular attention through a participatory approach focused on poverty assessment and monitoring. Three of the projects identified in the local development strategy have a pro-poor dimension: an olive oil factory expected to create jobs and income opportunities for farmers, an agreement with the Vocational Training Institute and private sector companies for training semi-skilled poor, and support to the extraction of aromatic oils from herbs grown by women. Resources have been secured for all the pro-poor projects, including through the EC-supported PALD programme (see Volume 2, box 14).

In the move from the pilot PAMD project to the current PALD programme, the same approach has been maintained in terms of empowering poor municipalities. The 18 selected municipalities are currently benefiting from a capacity-building effort, workshops at the Governorate level, and on-demand advice. Administrative staff and volunteers from these municipalities have received basic training in local development and poverty reduction. By the end of 2006, a few municipalities had started setting up their local development plan. The overall picture is therefore that implementation is more than one year behind schedule, but that the expected impacts remain likely to be achieved as regards the empowerment of poor municipalities and the satisfaction of their needs. In so far as the poor are defined as the poorest municipalities in the country, the EC’s contribution is therefore to be assessed positively.

The focus on the poorest among the poor is however likely to get lost in the move from PAMD to PALD. This finding is supported by the fact that only 2 of the 18 municipalities supported by PALD have demonstrated significant efforts in assessing and monitoring poverty at local level, although all have started to reflect on the challenges facing them. This is confirmed by the evaluation team’s visit to Ma’an, where the selected project consists in providing accommodation to the students of the newly created University, a project which is likely to contribute to local development in a poverty pocket, but which is clearly not “pro-poor” (see Volume 2, section 5.4). In so far as the poor are defined as the poorest in the poor municipalities, the EC’s contribution is therefore to be assessed negatively.

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36 Poverty Alleviation through Municipal Development
4.6 Water resources management (W)

To what extent has the EC contributed to enabling all actors in the water sector to manage resources sustainably?

4.6.1 Water resource management (W) – approach to the question

Water is a high-ranking objective in the CSP and a major challenge for the country. Several programmes/projects have been implemented in this area, and the privatisation of the urban water supply was part of the conditionalities of the SAFs.

Through this question, the evaluation team assesses the effectiveness of the EC support and the sustainability of achieved effects. Unintended impacts are also considered, especially as perceived from the standpoint of the poor and near-poor.

The judgement criteria are the following:

- Financial sustainability and technical capacity of the institutions and organisations involved in the management of water resources
- Capacity of all actors to collectively adopt a forward-looking approach to water challenges
- Capacity of the actors to collectively deal with conflicts over the use of water, and to prevent under-optimal use of water resource.

The question is answered by testing the following assumptions:

- The EC has targeted a substantial part of its support to enabling Jordanian actors to manage the water resources sustainably
- The EU has effectively contributed to multilateral donor coordination, and achieved high-level dialogue with the Government in the area of sustainable water resource management
- Thanks to dialogue with and assistance from the development partners, the Government has passed and implemented major reforms in the water sector with an aim to manage scarce resources more sustainably
- In the areas reached by EC support, the institutions and organisations involved in the management of water resources have strengthened their capacity, adopted a forward-looking approach to addressing long-term challenges, and developed a capacity to deal with conflicts over the use of water.

Data were first gathered and analysed at national level (statistics, context indicators, performance indicators, Government policy, EC strategy). The specific contribution of the EC was further analysed through an in-depth investigation into three issues which the evaluation team considered to be very significant in terms of water resource management: the on-going privatisation of water in the North-West governorates, the promotion of the agricultural use of treated waste water, and the issue of pricing irrigation water.

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37 EUR 12 millions have been allocated and EUR 6.1 millions have been disbursed at the date of this evaluation (see Volume 2, section 6.2).
4.6.2 Water resource management (W) – overall answer

During the period under evaluation, the EC consistently focused on the transformation of the water sector into a cost-efficient system. Overall, EC support applies to policy-making, capacity-building, reforms, and forward thinking (software), rather than subsidising investments (hardware).

The EC has been the main contributor to building the capacity of Jordan (Ministry of Water and Irrigation and public agencies) to manage urban water networks. Jordanian authorities have recently demonstrated their capacity to manage complex privatisation processes and rehabilitation works in the area of urban and industrial water, with a view to reducing unaccounted-for utilisation and leakages (see 4.6.3 below). This is a major contribution to changing the role of the State (see 4.3.3).

Moreover, the EC has played a pioneering role in contributing to a forward-looking policy reform targeted at waste water reuse. This has been achieved by combining policy dialogue and capacity-building, and by the involvement of Jordanian experts and policy-makers in regional projects like EMWater. Partly due to EC support, the issue of unconventional resources is gaining momentum, which is a major step towards a forward-looking approach to water resource management (see 4.6.3 below and Volume 2, section 6.4).

These positive achievements are however limited in comparison with the challenges faced by water management in Jordan, where several threats to sustainability remain unaddressed. For instance, the politically sensitive issue of water tariffs (urban and agricultural) has been periodically subject to policy dialogue with no outcome. Interviews show that some other donors have pushed the issue in civil society and in expert networks\(^\text{38}\), an approach which has not been identified in EC practices (see Volume 2, section 6.5).

4.6.3 Water resource management (W) - main message and justification

| The EC has played a pioneering and successful role in promoting sustainable water management |
| The EC has been the main contributor to building the capacity of Jordan (Ministry of Water and Irrigation and public agencies) to manage urban water networks. Jordanian authorities have recently demonstrated their capacity to manage complex privatisation processes and rehabilitation works in the area of urban and industrial water, with a view to reducing unaccounted-for utilisation and leakages. Moreover, a regional project (EMWater) and an effective policy dialogue have contributed to building the public/private sector capacity to promote the re-use of treated waste water. |

This message refers to the judgement criteria mentioned at the top of this section, i.e. Jordanian institutions’ capacity to manage the water sector, to adopt a forward-looking approach, and to prevent under-optimal use of water resources.

The message is substantiated in two ways: (1) capacity to manage the urban and industrial water supply in a way that prevents under-optimal use, and (2) contributes to a better balance between agricultural and urban/industrial use.

First, the EC has been the main financial contributor to capacity-building in the area of urban and industrial water supply since 2000. Through its Al Meyyah programme, the Ministry of Water and

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\(^{38}\) For instance, USAID, supported awareness raising activities and the building of expertise in areas like primary education, university, media, and local communities.
Irrigation has considerably improved its technical capacity. For instance, the EC-supported PMU has supervised the overall implementation of about 15 water network rehabilitation projects in Greater Amman (projects funded by Germany, Italy and USAID). Until very recently, about 25% of the water entering the city's distribution system was lost by leakage and these leakages are said to have been reduced by roughly one third (these points and the following ones are further developed in the Volume 2, section 6.5).

Moreover, the EC assists in developing a standard approach to assessing the performance of private-sector water services, with a view to reducing unaccounted-for utilisation and leakages. This approach has been applied in the privatisation of the urban water network of the Northern Governorates, which has been entirely managed by Jordanian authorities. In this instance, the capacity of the Jordanian project management owes a lot to the Al Meyyah programme.

The large-scale agricultural use of scarce water resources is a major challenge which may be addressed through various strategies, including water tariffs, water-saving irrigation techniques, and agricultural reuse of treated waste water. One of the EC funded regional projects (EMWater) has worked remarkably on building the public-/private-sector capacity to deal with treated waste water. In addition, the EC has managed to put the issue on the political agenda, with the result that legislation has been amended in order to facilitate this forward-looking approach.

4.7 Civil society and media (C)

To what extent has EC support contributed to strengthening pluralism in civil society and the media?

4.7.1 Civil society and the media (C) – approach to the question

The EC country strategy refers to the aim of “developing a pluralistic democratic society based on respect for human rights and the rule of law” and the associated indicative programmes allocate funds for “strengthening pluralism and human rights”\(^{39}\). The concept of pluralism remains rather vaguely defined in the EC strategy and programming documents. It is generally included in the much broader governance agenda, based on values such as participation, accountability and transparency. In this section, the term is understood as a driver to promote democracy and human rights. Focusing on the issue of a pluralistic society enables the evaluation team to analyse most of the effects of the EC support in the area of human rights, democracy, civil society, rule of law, and good governance\(^{40}\).

The question focuses on civil society and the media because the EC intends to achieve results in both areas. However, nothing had actually been implemented as regards the media at the time of this evaluation, and this part of the question is therefore neglected. What the EC has actually done is to support NGOs through the EIDHR and Sharaka programmes\(^{41}\). In this section, civil society is therefore equivalent to NGOs.

This question belongs to the family of effectiveness.

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\(^{40}\) See 4.9.1 for a definition of good governance and another approach to this issue.

\(^{41}\) Allocations and disbursement under these headings are very limited (about EUR 2 millions, see Volume 2, section 7.2).
The judgement criteria are as follows:

- NGOs have strengthened their capacity to act individually and collectively.
- They have made pluralistic inputs into policy-making and policy-implementation, i.e. they have freely discussed and refined their specific views; they have played a distinct proactive role in public arenas; they have advocated their specific views when policy reforms were at stake; they have commented on the implementation and outcomes of current policies, etc.

The question is answered by testing the following assumptions:

- The EC has targeted a substantial part of its support to strengthening pluralism in civil society and the media in Jordan
- The EC has combined its efforts with those of EU Member States in the areas pertaining to pluralism
- The EU has achieved high-level dialogue with the Government on strategic issues pertaining to pluralism
- Through dialogue with and support from the donor community, the Government has changed the legal framework and its enforcement in a way which promotes the development of pluralism
- In the areas reached by EC support (directly or indirectly), civil society organisations have increased their capacity and their practice of making pluralistic inputs into policy-making and policy-implementation.

Data were gathered and analysed at national level (EC cooperation as a whole, Government policies, data on civil society and the media), and through interviews with seven NGOs supported by the Sharaka programme.

### 4.7.2 Civil society and media (C) – overall answer

After a few pilot actions, the EC established pluralism as one of the five objectives in its Country Strategy Paper in 2002. The issue has been subject to political dialogue and has been granted substantial and rapid efforts. A pilot programme (Sharaka) has been launched and it has reached 13 NGOs. An action targeted at the quality and independence of the media is being launched at the time of this evaluation.

The dialogue with the EC/EU has been influential in the recent acceleration of the pace of ratification and enforcement of international treaties protecting pluralism, including the International Covenant on Civil and Political Rights in June in 2006 (see Volume 2, section 7.5).

Through the Sharaka programme, specific efforts have been geared towards reaching grassroots NGOs. This has been complicated by the need to undergo an application process which was too complex for the smaller organisations. The EC has therefore reached relatively strong NGOs, most of them based in Amman, although a part of the support has been used for developing local branches of supported NGOs.

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42 The evaluation team has focused on this Jordan-specific programme in order to concentrate on areas with the best potential for learning in the country.

43 Strengthening of pluralism, civil society and the rule of law.
The EC support has directly reached a few influential NGOs (mainly concerned with human rights), and helped them to enhance their institutional capacity, with impressive impacts in terms of pluralistic inputs into the public debates, especially as regards gender issues.

### 4.7.3 Civil society and media (C) - main message and justification

#### Substantial pluralistic inputs have been made in public arenas

| The EC support has directly reached a few influential NGOs and contributed to enhancing their institutional capacity. In at least two instances, this entailed impressive inputs into public arenas. These inputs were “pluralistic” in the sense that (1) they were genuinely new in Jordanian public debates and (2) they pertained to women’s rights, an area where civil society’s interests are rarely voiced. |

The question C had to be answered on the basis of NGOs’ capacity to develop and express their specific views and to play a distinct proactive role in public arenas.

In the area of civil society and the media, the main EC activity has been the Sharaka programme which has allocated financial support to 13 NGOs since 2003, out of about 2,000 Jordanian charities and non-profit organizations.

The EC has not significantly contributed to promote an enabling environment for the creation and development NGOs in Jordan, an issue which is challenging in the context of regional instability.

EC calls for proposals proved not to be accessible to the weakest NGOs, which means that only organisations with a reasonably good capacity benefited from the support. The beneficiary NGOs however stated that the support enabled them to e.g. “conduct a study”, “launch a media campaign”, and “establish branches out of Amman”. The simple fact of being funded by the Sharaka programme was said to be a plus for the credibility of the beneficiary organisations because it involved an implicit acknowledgement of their work by the EC.

A number of supported NGOs specialise in human rights and/or gender, two areas where civil society’s interests are rarely voiced. Among the beneficiary NGOs, two have reported significant inputs into the policy arenas, which is little in both absolute and relative terms. However, the achievements are impressive and sufficient for considering that the programme as a whole has been a success:

- In one instance, the beneficiary organisation managed to conduct a study on the status of women in 15 laws, and to have this study reviewed by the Parliament. In September 2006, it held a conference with 70 NGOs with an aim to create a coalition and to lobby on issues related to the status of women in the law when it comes to the nationality of the children, divorce, and inheritance. This is an exception in the Jordanian context where NGOs tend not to cooperate.

- In another instance, EC support helped to create a hotline for family abuse and domestic violence where women’s calls stay confidential. The number of reported cases jumped from 30 to 2,000. This fact has been used as an awareness-raising argument in the public arena.

The organisation reporting these achievements is genuinely Jordanian. This is in no way a subsidiary of an international NGO. It has received no support from other donors. The support received from the EC was substantial in comparison to its budget. When interviewed, they express the view that “we were already active in the issue of policy-making but when you have the financial resource you are stronger and able to go to the next level”.

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4.8 Instruments supporting SMEs (I)

How do the implementation modalities successively used by the EC for developing Jordanian SMEs compare in terms of cost-effectiveness?

4.8.1 Instruments supporting SMEs (I) – approach to the question

Cost-effectiveness is an especially difficult issue, and the evaluation team suggested that it should be fully addressed in at least one question.

The area of assistance to SMEs was selected because there was an opportunity to analyse three aid modalities aimed at achieving the same set of effects over a nearly 10-year period: Business Service Team (BST), Euro-Jordanian Action for Development of Enterprise (EJADA), and support to Jordan Upgrading and Modernisation Programme (JUMP). Moreover, the EC interventions in these areas have been very visible and financially important.

According to the EC’s definition, this question belongs to the family of efficiency. Effectiveness and sustainability are also covered.

The judgement criteria are as follows:
- Development of Jordanian SMEs in terms of (1) number, (2) size and (3) competitiveness.
- Budgetary cost for the EC and the Government.

The question is answered by successively testing the following assumptions:
- The EC has attempted to be cost-effective in its support to Jordanian SMEs
- The EC has attempted to be cost-effective in its transfer of activity to the Government
- The EC has managed to provide Jordan SMEs with effective services at a reasonably low cost.

Data were gathered and analysed through an in-depth investigation into the cost and effectiveness of two components of the projects / programmes: (1) the provision of advisory services by European consultants, and (2) the share of the services repaid by Jordanian SMEs.

4.8.2 Instruments supporting SMEs (I) – overall answer

In the highly visible area of support to SMEs’ competitiveness, and particularly in the case of advisory support to SMEs which involves the largest expenditures, the EC has paid constant attention to the main factors likely to affect cost-effectiveness. The need to provide generic services through local consultants has been properly anticipated and constantly promoted. The share of the service cost repaid by beneficiaries has been subject to close attention (see Volume 2, section 8.1).

The EC support has constantly achieved satisfactory impacts on the competitiveness of supported SMEs (see Volume 2, section 8.4).

44 EUR 55 millions have been allocated and EUR 25 millions have been disbursed at the date of this evaluation (see Volume 2, section 8.2).
Impacts have been achieved at a cost which could have been only marginally lower. The overall efficiency is due to the timely articulation of the three instruments (pilot project, large-scale project, and sector budget support), much more than to their intrinsic merits. Some competition between donors has occurred, and may have resulted in some extra cost required to attract a critical mass of enterprises into the EJADA project (see 4.8.3 below).

The move from EJADA to the sector budget support programme has been in preparation for at least one year, but remains difficult since activities are being taken over by several different institutions, most of them in the process of being reformed or even created from scratch. The duration of the transfer process is likely to be about 18 months and the accumulated knowledge and institutional memory is partly evaporating. It must however be acknowledged that the evaluation team has not observed any actual inefficiency resulting from this difficult transition process (see Volume 2, section 8.3).

### 4.8.3 Instruments supporting SMEs (I) - main message and justification

The support to SMEs is a success story of an efficient joint policy development

EC support to SMEs is a showcase of joint policy development. It has led to the establishment of a private-sector development policy which is now fully managed and owned by the Government, and partly funded by the EC through sector budget support. It took ten years from the initial pilot project to the full transfer of the policy to the Government. During those ten years, the process continuously achieved positive impacts on the competitiveness of supported SMEs at a cost which could have been only marginally lower. The overall efficiency is owing to the timely articulation of the three instruments (pilot project, large-scale programme, and sector budget support), much more than to their intrinsic merits.

The question I is about the successful strengthening of SMEs’ competitiveness at a low budgetary cost for the EC and the Government.

The reasoning concentrates on direct support to SMEs, which is the heaviest component of EC support in financial terms. Two elements are analysed in more depth, i.e. the mix of international and local consultants, and the share of the cost repaid by beneficiaries. These elements are key drivers for both the cost and the effectiveness of the support.

The mix of international and local consultants has been analysed as follows:

- The pilot project relied mainly upon European advisers and the role of Jordanian consultants was marginal. This practice was fully consistent with the fact that the number and capacity of Jordanian consultants was extremely limited. The pilot project included a systematic twinning of European and Jordanian advisers with an aim to building the capacity of the latter through a learning-by-doing approach.

- The large-scale EJADA programme continued with a systematic twinning of European and Jordanian advisers, but with a more balanced sharing of roles. It included a more structured approach to building the capacity of local consultants.

- The programme currently managed by the Government has relaxed the constraint of twinned European-Jordanian advice. The European experts are called on only for specific issues, and generic consultancy (e.g. strategy-making, energy-saving) is now provided for locally by a mature market of business services. Seven former local staff members of the EJADA management team are now established as consultants. The evaluation team has collected
evidence that SMEs assess local consultants’ services as more cost-effective than European’s as regards generic services (see Volume 2, section 8.4).

The whole story must be analysed as a sustained and successful effort to build a Jordanian capacity in the area of generic advisory services to SMEs, with eventual benefits in terms of both lower cost and higher effectiveness. The evaluation team considers that this process was properly anticipated from the beginning and that its progress could not have been much faster because it takes several years for a consultant to become a credible adviser and for local consultancy firms to become sustainable. The successful building of an advisory capacity in Jordan has been an efficient contribution to the overall process of joint policy development in the area of SMEs (see Figure 9 and section 5.4).

Figure 9 – Joint policy development

The second main driver of the cost (SMEs’ repayment) has been analysed as follows:

- The pilot project had a repayment rate of 20%
- The large-scale EJADA project was initially designed with a repayment rate of 25%. In fact the rate was first set at 10% in order to attract a critical mass of enterprises into the project, and then increased up to 20% on demand of the EC.
- In the current programme, the repayment rate for advisory services is still 20%. Within the past few years, other donors have offered similar support with progressive repayment rates (up to 50%) in case of successive applications. The evaluation team is aware of Jordanian SMEs paying 100% of the price of local advisers providing services similar to that of JUMP.

The story shows that there is a problem with deadweight, i.e. offering services that SMEs were prepared to pay for. The evaluation team considers that this issue has been properly managed by the EC until recently. However, inefficiency has become a problem in recent years.
4.9 Cross-cutting issues (X)

To what extent has the EC mainstreamed gender and environment, and governance in its support to Jordan?

4.9.1 Cross-cutting issues (X) – approach to the question

The ToR required this evaluation to cover cross-cutting issues like gender, the environment, human rights, and conflict prevention. The four quoted issues are of considerable importance in the Jordanian context, but only the first two have been taken on board without discussion.

The third issue (human rights) is considered as both cross-cutting and as a policy domain in itself. A number of projects are clearly targeted at human rights. They are categorised in the inventory (Volume 3) in a cluster called “human rights, democracy, civil society, rule of law, and good governance”. They are covered by Question C above. At the inception stage of this evaluation, it was decided to focus on good governance, since it corresponds to a “focal point” in the EC Delegation.

In the context of Jordan, the issue of conflict-prevention needs to be regarded specifically. Considering the role played by the country in the international efforts to deal with regional conflicts, EC-Jordan cooperation as a whole should be seen as a contribution to peace. One of the latest examples of that is the recent and important EC emergency budget support which was granted to cope with the negative impact of the Iraq War, partly from a conflict-prevention perspective. All activities in the area of cultural dialogue are also meant to contribute to conflict-prevention. This issue is so pervasive in the EC support to Jordan that it has been decided not to investigate it in more depth in this section. Conflict prevention in a more specific sense is however addressed in the section devoted to water resource management (question W).

The question is mainly answered by considering whether these issues have been integrated in EC activities like project formulation, management, coordination and dialogue. Actual effects in terms of gender, environment or good governance are mentioned incidentally, when these are assessed in another section of this evaluation. It follows that the question focuses on likely effectiveness rather than actual effectiveness. The question is also connected to relevance (concentrating efforts on the areas where the potential impact is the largest), and to coherence (activities and efforts consistently targeted at achieving priority EC objectives).

The question is answered by testing the following assumption for gender, environment and good governance, successively:

- The EC has equipped itself with a capacity for analysis
- It has considered the issue strategically at the level of the country as a whole
- The issue was mainstreamed where the potential benefits were the largest.

Data were gathered and analysed at the level of the EC cooperation as a whole. There was also a rapid investigation into nine projects covering the whole spectrum of the interventions under evaluation (see “Rapid assessments” in Volume 4).

4.9.2 Cross-cutting issues (X) – overall answer

Interviewees in the EC consider gender as both an important and a difficult issue in the context of Jordan. The evaluation team’s understanding is that the main challenges are in the areas of women’s rights and women entrepreneurship. The analysis shows that the issue is mainstreamed in about one
project out of two. This proportion should not be judged negatively. On the contrary, this evaluation shows that gender has been given appropriate attention in at least two areas where major challenges could be adequately addressed, and that substantial impacts have been achieved.

The Jordanian experts in the evaluation team consider that the country’s main environmental challenge is the sustainable management of water resources. This evaluation shows that the EC has taken this issue quite seriously, but without a conscious mainstreaming of environment. The evaluation shows that there is a relatively systematic practice of mainstreaming environment in many projects, possibly not in a strategic way until recently. The issue has however benefited from high-level support and more human resources since 2005 (see Volume 2, section 9.3).

Good governance is said to be both a major challenge for the country and an issue which is systematically addressed in all EC projects / programmes. However, the evaluation team has had difficulties in identifying instances of mainstreaming of governance in the reviewed documents. This may be explained by the facts that (1) EC’s capacity (focal point and guidelines) is recent, and (2) the EC defines the concept of good governance in a way which is all-embracing, and therefore poorly operational.

4.9.3 Cross-cutting issues (X) - main message and justification

The challenging issue of gender has been mainstreamed strategically

Gender is both an important and a difficult issue in the context of Jordan. In this respect, the main challenges are in the areas of women’s rights and equal job opportunities. Gender has not been mainstreamed in a systematic way, but it has been given appropriate attention in at least two areas where the main challenges could be adequately addressed, i.e. support to civil society organisations and to SMEs. In both instances, substantial impacts have been achieved.

Successful mainstreaming of cross-cutting issues is understood as a specific effort focused on major challenges rather than a systematic “box-ticking” routine (see top of this section).

Interviews in the Delegation show that gender is considered as a major challenge and a difficult issue. The documentary analysis shows that gender is mainstreamed in about one instance out of two, something which was qualified as “sporadic” in a 2003 report45.

In light of the selected judgement criterion, these findings do not entail a negative assessment. On the contrary, the assessment should take stock of how the EC has addressed the main challenge with gender in Jordan, i.e. women’s rights as quoted in the interviews. Equal job opportunities are another major challenge, which has been added by the evaluation team.

There is evidence that both major challenges have been given appropriate attention in at least two instances:

- The selection of projects in the Sharaka programme has been gender sensitive. Even if several interviewed NGOs do not remember having been briefed on gender, the fact remains that several selected projects were promising in terms of gender, received gender-specific support from the EC, and kept their promises (see 4.7.3).

- The successful EJADA programme has been gender sensitive at least in its management, even if interviewed SMEs do not remember having been briefed on gender. After the termination of

the programme, seven members of the management team established themselves as private consultants. A majority of them are women, in a proportion which is far above Jordanian standards in the area of highly qualified jobs.

The evaluation team considers that these two examples are much more than anecdotes because:

- Both examples show that the mainstreaming has occurred at the right place, at the right time, and in the right way for addressing challenging issues. The evaluation team considers that this success could not derive only from individual initiatives and that it is explained by the EC’s institutional commitment to the issue.

- The identified Sharaka achievements in the area of gender are impressive.
5 Overall assessment

This chapter builds upon the answers to the evaluation questions which are presented in detail in Volume 2 and more briefly in the previous pages. This synthesis cuts across the information and analyses made available through this evaluation. It follows five lines of reflection with the aim of drawing conclusions of strategic interest at country level, and learning lessons that are potentially transferable to other countries.

5.1 From responsiveness to initiative

5.1.1 Responsiveness to the Government’s needs

By looking into the alignment of EC support to the Government’s priorities (question G above), this evaluation raises the issue of responsiveness to Jordan’s needs. Overall, the EC has “responded” in three distinct ways:

Requests for projects

In the area of large infrastructure projects, the traditional functioning is that (1) the line ministries submit their projects to the MoPIC, (2) the MoPIC submits the projects to the donors, and (3) the donors respond to some demands. Some of the interviewed donors continue to describe this type of functioning in a sector such as water.

In this traditional approach, the MoPIC is functioning like a market place, with a tendency to generate competition between donors, something which has been observed in the areas of water management and direct support to SMEs. Interviewees suggest that such an approach does not favour a harmonised policy dialogue between donors and line ministries.

Interviews also suggest that the EC is not good at playing a competition game because its decision-making mechanisms are lengthy.

Requests for budget support

The EC has been one of the few major donors having provided the Government with general budget support, sometimes in a context of emergency due to regional crises. Most often this has been done in cooperation with other donors (e.g. SAF III with IMF) (see Volume 2, section 3.2).

Joint policy development

The third way of responding to the Government’s needs consists in establishing a long-term relationship with the line ministry(ies) in charge of a given policy domain, to maintain a close policy dialogue, to assist in the building of adequate institutional capacity, to assist the Government in developing its policy reforms, and eventually to support the implementation of these reforms through a sector budget support programme. In this report, this approach is called “joint policy development” (see Figure 9).

This approach has been observed in at least two instances:

- Direct support to SMEs (see Question I)
- Management of water resources, and especially the issue of agricultural use of treated waste water (see Question W)
The success of the EC support in these two instances suggests that the EC is good at this type of intervention, something which will be expanded on in the next section.

It is worth noting that this approach is gaining momentum within the Government and the donor community. For instance, USAID is currently applying this approach to the area of tourism.

5.1.2 Initiatives through policy dialogue

This evaluation establishes that the EC and the EU have progressively developed a smooth policy dialogue on almost every issue at almost every level. According to interviewees, the EC is considered as a credible partner in the policy dialogue, mainly because it behaves transparently and has no hidden agenda. The same applies to the EU, i.e. Member States and EC acting collectively.

In a context of systematic dialogue, the EC is able to identify any windows of opportunity, and to take action in order to promote policy reforms. This has been observed in least two instances:

- The case of the competition law which was blocked for several years, and then revived through the EJADA project
- The case of the bottom-up approach to poverty alleviation and local development.

In both instances, the EC has suggested policy reforms rather than just responding to the Government’s demands. Such initiatives would not have been possible without extensive policy dialogue.

5.1.3 Opening minds for future initiatives

Policy dialogue may however remain ineffective, with the consequence that the EC and the Government have to “agree that they disagree”. This has been observed in two areas with contrasting outcomes:

- In the area of women’s rights, the EC and the EU have often raised sensitive issues like honour crimes. Due to cultural differences, this dialogue has not led to significant changes. In the meantime, the EC-funded Sharaka project has made very significant inputs regarding the issue of women’s rights in the public arena (see Question C), with the likely outcome that public opinion will evolve, and that the dialogue on sensitive issues will eventually become effective in the long term.
- In the area of agricultural use of water, the EC has repeatedly discussed the issue of sustainable management, once again without significant results. This can easily be explained by Jordanian politics since a large area in the country depends upon irrigated agriculture. In this instance, an alternative to policy dialogue could have consisted of promoting initiatives in civil society and in expert networks. The interviews show that several other donors have taken this approach, but not the EC.
Box 1 – Alignment of strategies: overall conclusions

**The EC has been good at joint policy development**

The EC is increasingly engaged in joint policy development with a relatively long-term perspective, either on the Government’s demand or through initiatives emerging from policy dialogue. The most successful impacts recorded in this evaluation have been achieved through this approach. The EC has been particularly good at this type of cooperation since it is fully transparent in its policy dialogue, has a relatively neutral political profile, and has the capacity to engage significant financial resources in sector budget support programmes.

**The EC has occasionally paved the way for future policy development**

A prerequisite for joint policy development is the Government’s openness to a substantial dialogue, but the EC and the Government sometimes had to “agree that they disagree”. This has been observed on issues like women’s rights or agricultural use of water. In the first instance, the EC has supported Jordanian NGOs which have made impressive inputs into public debates and paved the way for future policy development. This process was fully transparent for the Government. The conflicting issue of irrigation water is a counter example where the EC has remained trapped in an ineffective policy dialogue without deploying an alternative approach, something that other donors have done.

### 5.2 From theories to facts

#### 5.2.1 Learning from failure to achieve the desired impact

This evaluation shows that the EC strategy included many implicit assumptions about exports to the EU market (see question T). In the late 1990s, the assumptions were the following:

- Trade liberalisation removes tariffs and quotas, and provides Jordanian SMEs with free access to the EU market
- Advisory services provided to export-oriented SMEs boost their competitiveness
- Both factors generate a breakthrough in Jordanian exports to the EU.

As early as 2002, the EC Delegation’s annual report recognised slow progress in Jordanian exports to the EU and quoted non-tariff barriers as one of the main obstacle. In 2003, the evaluation of MEDA I (and its Jordanian appendix) concluded that the above assumptions were not working. This report confirms (1) that the assumptions are not even likely to work, and (2) that the lesson has been fully learnt by the EC Delegation.

A renewed approach was taking shape at the inception of this evaluation (fall 2006), again with many implicit assumptions which the evaluation team understands\(^{46}\) as follows:

- The EC assists Jordanian SMEs in overcoming technical barriers to trade, especially through matching EU standards

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\(^{46}\) In fact there is no clear consensus among the members of the evaluation team on this issue.
- The EC-supported regional integration (Agadir process) provides Jordanian SMEs with opportunities of alliances with firms from Egypt, Morocco or Tunisia, with substantial benefits in terms of competitiveness.

- Both factors, combined with the two previous ones, generate a breakthrough in Jordanian exports to the EU market.

The Jordanian experts in the evaluation team consider that the validity of the new assumptions is by no means certain because the Jordanian legislation has to be changed, and several institutions have to be created and made operational. In addition, there is not yet a common understanding as to how Jordan will practically benefit from the Agadir process.

The evaluation team has seen from experience that the failure of a policy should not be assessed negatively, provided that adequate lessons are learnt and corrective actions are taken, something which did occur over the last few years in the area of trade.

The evaluation team is however concerned with the rapidity of learning. There is evidence that the lesson was already known in 2002, but the evaluation team’s understanding is that the failure of the assumptions could have been established as soon as the end of the BST pilot project, i.e. 2000

Figure 10 – Lengthy learning from encountered difficulties

Moreover, the time needed for changing the assumptions and taking action has been long. For instance, tackling non-tariff barriers is only one of the 20 or so expected results of the Sector Reform Facility Programme established in 2005, and is not given a specific emphasis.

47 This statement is based on the fact that about 40 SMEs were directly supported by the BST pilot project which ended in 2000. The lesson could have been learnt through an evaluation of BST asking the question of the impact on the exports to the EU.
Among the reasons for this lengthy learning process, the evaluation team highlights the following:

- The main assumptions (see above) explaining how the objectives were to be achieved had not been made explicit with respect to Jordan.
- The test of the assumptions was late and informal with respect to Jordan.
- The first formal test was made at the initiative of the headquarters through the MEDA evaluation, one year later.
- It took two years to take corrective actions locally, and this has been done timidly on the basis of implicit assumptions once again.

5.2.2 No assumption, no learning

Mutual understanding is another major objective of the EC and EU in all Mediterranean countries, and this case shows some similarities with the case of trade.

Once again, the assumptions connecting EC support and its impact on mutual understanding are completely implicit. They have not been adapted to the Jordanian context.

The evaluation team’s understanding is that these assumptions are as follows:

- EC support creates joint working opportunities between opinion leaders, students as future opinion leaders, and grassroots organisations. This ends in lasting trans-national EU-Jordan networks.
- This promotes participants’ acceptance of differences whilst developing their understanding of their respective cultural backgrounds.
- It generates a wider dissemination and acceptance of European knowledge, ideas and culture in the Jordanian public and of Arabic/Muslim knowledge, ideas and culture in the European public.

Since the assumptions have not been clarified at all, they are unlikely to be tested\(^{48}\), and no learning has occurred in Jordan in this area during the ten-year period covered by this evaluation.

Box 2 – Learning from difficulties: overall conclusions

<table>
<thead>
<tr>
<th>The process of learning from difficulties has been lengthy</th>
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<tr>
<td>In two instances, this evaluation has found that major strategic priorities relied upon implicit assumptions, i.e. benefits of trade liberalisation and mutual understanding. In the case of trade, it was assumed that the opening of the EU market, combined with support to export-oriented SMEs, would entail a breakthrough in Jordanian exports to the EU. It is now established that these assumptions have not been confirmed (see Ca), but this lesson was learned about two years later than it could have been, and it took a few more years for new assumptions to emerge, which are again largely implicit. The consequence is a lengthy learning process, which in turn delays the corrective actions.</td>
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\(^{48}\) In the inception phase of this evaluation, it was decided that no question should be asked about mutual understanding.
5.3 From Amman to Jordan

Amman concentrates a large part of the country’s population (40%) and economic activities (60%)\(^49\), as well as public-sector institutions and NGOs. Moreover, there is a tendency for Greater Amman to grow faster than the other parts of the country.

The Government has recently adopted the view that a better balance should be promoted. This issue has thus become a matter of concern in the donor community, to the extent that a coordinated study has just been launched in order to map the main interventions of all partners. Moreover, addressing this issue has become an EC objective in the case of the Sharaka programme which was meant to reach grassroots NGOs outside Amman.

It is therefore interesting to review the evaluation findings in the light of this issue\(^50\).

5.3.1 Amman-biased support

In a few instances, the mechanisms of the EC support tend to reinforce the imbalance in favour of Amman. This phenomenon is visible in the following two examples:

- The Sharaka programme which supports civil society organisations was initially designed with an aim to reach fragile grassroots NGOs throughout the country. Some of the targeted organisations expressed concerns that the programme’s calls for proposals were too complex for small organisations to succeed or even to apply. In fact, grassroots NGOs could not cope with the need to work in English and with sophisticated administrative requirements. The 13 NGOs which finally received support were relatively strong and all Amman-based. This geographical bias has however been reduced by the fact that several beneficiary organisations have used the EC funds for creating local branches and developing activities out of Amman.

- All EC-supported cultural events but one took place in Amman.

- EJADA’s direct support to SMEs seems to have been allocated to Amman-based enterprises in an even larger proportion (90%) than the weight of Amman in the GDP (85%).

5.3.2 Neutral activities

In many instances, the EC support is geographically neutral. The evaluation team considers that neutrality is built into the heavy budgetary support which is no more and no less concentrated than the Government’s budget as a whole.

Water is also a sector where the support is geographically diversified, although a major capacity-building effort has been targeted at the MoWI in Amman. For instance, this evaluation shows that the EC has successfully strengthened management capacities in the Northern Governorates and that the use of treated waste water is promoted in small municipalities.

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\(^49\) Evaluation team’s estimates on the basis of data from the Department of Statistics.

\(^50\) The evaluation team acknowledges that this section introduces a new judgement criterion (correcting geographical imbalances), which has not been validated as such by the reference group.
5.3.3 Corrective action

The PALD programme is a major contribution to correcting geographic imbalances, not only because targeted areas are mostly located outside Greater Amman, but also because the programme has introduced a bottom-up approach in the Government approach to a country-wide problem, something which is completely new.

The EC as also launched a large project aimed at strengthening the Aqaba free economic zone.

Box 3 – Geographical imbalances: overall conclusions

**Successful contribution to combating geographical imbalances**

The PALD programme is a major contribution to correcting geographic imbalances, not only because most of the targeted areas are located outside Greater Amman, but also because the programme has introduced a bottom-up approach in one of the Government’s policies, something which is completely new.

**The EC's management constraints entailed unintended centralisation effects**

In several instances, direct management by the EC has been incompatible with a geographically diversified bottom-up approach, and has generated unintended centralisation effects.
5.4 From pilots to sector support

5.4.1 A successful long-term process

The EC support to private-sector development has many features of a success story. It started by a four-year pilot (BST) which tested the instruments, raised awareness, and designed the next phase. Another four-year large-scale programme then created a country-wide capacity to provide SMEs with advisory services. In addition, the programme paved the way to transferring the policy to the Government, a third phase which is now on-going in the framework of a sector budget support. During these ten years, the process has continuously achieved positive impacts on the competitiveness of supported SMEs at a cost which could have been only marginally lower.

Several other policy domains show similar progressive paths starting with a pilot and ending in a new, changed policy, e.g.

- In the area of poverty alleviation, the German supported PAMD programme was launched in 1999 in three municipalities. It played the role of a pilot and the concept was extended to 18 other municipalities through sector budget support in 2004 in a context of the new decentralisation policy.

- The Sharaka programme (2003-2005) played the role of a pilot in the area of civil society, and the National Indicative Programme (NIP) 2005-2006 made the strategic choice to include a capacity-building component for government agencies involved in the promotion of human rights, as well as a focus on promoting dialogue between the governmental and non-governmental players.

5.4.2 Shift from project to sector budget support is a critical step

In two instances (EJADA and PAMD), the evaluation team understands that a part of the accumulated experience and knowledge is being lost during the shift from project / programmes to sector budget support (see sections 4.8.2 and 4.5.2). In the case of EJADA, this problem has been observed despite joint efforts by the EC and the Government to manage the transition process. The process of transferring knowledge from EC projects to the Government is therefore to be recognised as complex and not yet fully mastered.

There are many reasons for the encountered difficulties, of which the following need to be highlighted:

- Knowledge has to be transferred from the project/programme managers who leave at the end of the project, to Government officers who are not immediately recruited\(^51\).

- Practices that have been developed in the institutional context of the EC have to be adapted to the institutional context of the Government

- Jordanian institutions have to be adapted or even reformed, in order to take over the activity.

The two latest points involve institutional changes which typically take years before being fully stabilised, and the knowledge tends to evaporate during this time.

\(^{51}\) This point does not apply to the SME policy since many EJADA managers were recruited by the Government. Unfortunately, almost all of them have rapidly moved to other positions.
Box 4 – Joint policy development: overall conclusions

**Joint policy development has been an effective and relatively efficient approach**

The EC support to SMEs is a showcase of joint policy development, but it took time: ten years between the initial pilot project and the full transfer of the policy to the Government through a sector budget support programme. The EC and the Government are currently accelerating the process, which is expected to be shorter in the cases of poverty alleviation and civil society.

**The shift from project to sector budget support is not yet fully mastered**

In two instances (support to SMEs and poor municipalities), a part of the accumulated experience and knowledge has been lost during the shift from EC project / programmes to Jordanian institutions. In the first case, this problem has been observed despite joint efforts by the EC and the Government to manage the transition between the EJADA programme and the newly-created institution assisted through sector budget support. The process of transferring knowledge from EC projects to the Government is therefore to be recognised as complex and not yet fully mastered.

### 5.5 From EC to EU

#### 5.5.1 Progress towards EU coordination

The coordination mechanisms allowing EU partners to coordinate effectively are progressively being set up. The EU-level donor matrix is now periodically monitored and all EU players take part in the political dialogue with the Government.

There are however no reasoned and formal commitments of EU players to specialise in particular sectors or activities according to a common understanding of their comparative advantages

At the level of the donor community as a whole, there is little sense in the idea of sharing roles on a sector basis since the USA are active in almost all policy domains.

#### 5.5.2 Towards a new approach to sharing roles

A success story of coordination can be claimed in the area of poverty alleviation, where Germany initiated a pilot process in three poor municipalities through its PAMD project, while the EC was paving the way to generalisation at the level of the country as a whole through the PALD budget support programme. This success story demonstrates the effectiveness of the pragmatic coordination approach adopted at EU level.

Moreover, the PAMD/PALD story suggests an interesting alternative conception of the sharing of roles among EU players. In this instance, a Member State developed a series of pilot projects over several years, thus paving the way for the birth of a new policy. The EC then assisted in the transfer to the Government through a sector budget support programme.

In this approach, each player builds upon its specific strengths. Member States tend to be more flexible than the EC, which is beneficial for testing new ideas and developing pilots. The EC may engage itself in large financial support and its policy dialogue is recognised as very transparent, which facilitates joint policy development with the Government.

The evaluation team summarises this idea in the following message, which cannot be called a “conclusion” or a “lesson”, but rather food for thought. No recommendation is derived from these ideas.
Box 5 – Sharing of roles: overall conclusions

Coordination of EU players has been pragmatic, not strategic

The coordination mechanisms allowing EU partners to coordinate effectively are progressively being set up. The EU-level donor matrix is now periodically monitored and all EU players take part in the political dialogue with the Government. In this context, there is nothing like a strategic specialisation among EU players taking stock of their respective strengths and weaknesses.

Towards an alternative sharing of roles in policy development?

In the case of poverty alleviation, the process of joint policy development involved a Member State (Germany) which developed a series of pilot projects over several years. The EC then assisted in the transfer to the Government through a sector budget support programme. If such an approach was to be promoted, each player would build upon its specific strengths: flexibility on the side of Member States, large financial capacity and effective policy dialogue on the EC’s side.
6 Conclusions

This chapter sums up the conclusions reached in the preceding chapters. The reader should not expect to find additional substance in it.

Four major conclusions are expressed in the following areas:

- The EC’s country strategy and alignment on Jordanian priorities
- Joint policy development
- Successful and unsuccessful impacts
- Learning from difficulties

The first three areas include detailed conclusions. Each detailed conclusion is characterised by a level of importance which ranges from the highest [XXX] to the lowest [X], depending on the evaluation team’s opinion as to its potential usefulness.

The evaluation team also presents a self-assessment of the strengths of its detailed conclusions, on a scale of three degrees: normal [XXX], partially limited [XX] and limited [X]. Some limitations are mentioned for 4 out of 11 conclusions. These are explained in detail in Volume 3. The evaluation team considers that there is no severe limitation, except as regards the conclusion on trade (Ca), which is weakened by an unexplained gap between the EC’s and Jordan’s statistics.

The chapter includes a reminder of where the conclusions come from.

6.1 EC’ country strategy and alignment on Jordanian priorities

A – The EC’s strategy in Jordan has been coherent and relevant

The 2002-2006 period shows evidence of a strategic management. Major shifts in the Government’s strategy have been accompanied by new priorities on the EC’s side in a context of systematic policy dialogue (Aa), and pragmatic coordination with Member States (Ab). The new priorities have been rapidly and consistently applied in the areas of poverty alleviation and human rights (Ac). In addition, the challenging issue of gender has been mainstreamed strategically, i.e. at the right level and at the right place rather than systematically (Ad).

Aa – The EC’s strategy has been aligned on Jordan’s priorities in a dynamic way

Priority: X, strength: XXX, based on question G page 17

Notwithstanding that the EC has provided only a minor share of external assistance to Jordan, it has managed to accompany all major shifts in the Government’s strategy during the period under study and, in addition, has sometimes contributed to putting new issues on the Government’s agenda through a mix of systematic dialogue and technical assistance.

Ab - Coordination of EU players has been pragmatic, not strategic

Priority: X, strength: XXX, based on section 5.5 page 50

The coordination mechanisms allowing EU partners to coordinate effectively are progressively being set up. The EU-level donor matrix is now periodically monitored and all EU players take part in the political dialogue with the Government. There are however no reasoned and formal commitments of EU players to specialise in particular sectors or activities according to a common understanding of their comparative advantages.
Ac – The EC’s strategy was relatively coherent and was actually applied

*Priority: X, strength: XXX, based on question S page 14*

For the first time in 2002, the EC equipped itself with a relatively explicit hierarchy of objectives connecting most of its actions in Jordan, the objectives of the Barcelona Declaration, and the specific needs of the country. The strategy has been consistently applied in the sense that the new priorities (poverty alleviation and human rights) have been fully reflected in the subsequent allocation of human and financial resources, in the policy dialogue, and eventually in projects and programmes which have been rapidly implemented.

Ad - The challenging issue of gender has been mainstreamed strategically

*Priority: XXX, strength: XXX, based on questions X and C, pages 39 and 34*

Gender is both an important and a difficult issue in the context of Jordan. In this respect, the main challenges are in the areas of women’s rights and equal job opportunities. Gender has not been mainstreamed in a systematic way, but it has been given appropriate attention in at least two areas where the main challenges could be adequately addressed, i.e. support to civil society organisations and to SMEs. In both instances, substantial impacts have been achieved.

6.2 Joint policy development

B – Joint policy development has been an effective and relatively efficient approach

Joint policy development is a process which is initiated with pilot projects, continued with large-scale programme(s), and finalised with a sector policy managed by the Government and partly funded by EC sector budget support. This is typically a long-term process, which requires a sustained and effective sector policy dialogue.

Over the past few years, two examples of joint policy development have been encountered. Both have led to large-scale and sustainable impacts on respectively the competitiveness of SMEs (Ba) and the strengthening of rural municipalities (Bb). The efficiency of the policy development process has been assessed in the case of SMEs, and considered as relatively good.

The EC’s success with joint policy development is owing to the fact that the EC was fully transparent in its policy dialogue, had a relatively neutral political profile, and had the capacity to engage significant financial resources in sector budget support programmes. These strengths have proven to be useful in the case of poverty alleviation, where the policy development process had been initiated by a Member State and continued by the EC (Bc). These strengths do not suffice when the dialogue on a policy issue is blocked, a situation in which the EC has remained trapped in some instances. A promising alternative has however been found in the area of women’s rights, where adequate inputs have been made in Jordanian civil society and public arenas, thus paving the way for a future policy development (Bd).

The policy development process has faced repeated difficulties in the transition between EC projects / programmes to budget support programmes. A pending question is how to maintain the acquired knowledge and some institutional memory during this time period (Be).

Ba - The support to SMEs is a success story of joint policy development

*Priority: XXX, strength: XXX, based on question I page 36*

The EC support to SMEs is a showcase of joint policy development. It has led to the establishment of a private-sector development policy which is now fully managed and owned by the Government, and partly funded by the EC through sector budget support. It took ten years from the initial pilot project to the full transfer of the policy to the Government. During these ten years, the process has continuously achieved positive impacts on the competitiveness of supported SMEs at a cost which could have been only marginally lower.
Bb - Joint policy development process is effective in the area of poverty alleviation

Priority: XX, strength: XX, based on question P page 28

Through effective policy dialogue, smoothly coordinated EC-Germany support, and a rapid transfer of responsibility to the Government, the EC has successfully contributed to empowering the poorest municipalities and to strengthening their economic development capacity. Although there are implementation delays, this approach is addressing the needs of the so-called “poverty pockets”, which are a major poverty challenge in Jordan.

Be - The transfer of EC responsibilities to Jordanian institutions is not yet fully mastered

Priority: XXX, strength: XXX, based on section 5.4 page 49

In two instances (support to SMEs and poor municipalities), a part of the accumulated experience and knowledge has been lost during the shift from EC project / programmes to Jordanian institutions. In the first case, this problem has been observed despite joint efforts by the EC and the Government to manage the transition between the EJADA programme and the newly-created institution assisted through a sector budget support. The process of transferring knowledge from EC projects to the Government is therefore to be recognised as complex and not yet fully mastered.

6.3 Successful and unsuccessful impacts

C - Impacts have been disappointing in the trade sector, but successful as regards economic stability and the management of urban water networks

The analysis of strategy documents shows that very high expectations were put on trade liberalisation and export-based development. In relation to these priority objectives, Jordanian industrial products have gained access to the EU market free of tariffs and quotas, and a critical mass of export-oriented industrial SMEs has been supported. The corresponding achievements are

52 There is no self-assessment of the “strength” of this message, which is not really a conclusion but rather food for thought
assessed as positive but modest. Jordanian exports to the EU are well diversified but slow-growing in comparison to other markets, and no breakthrough has been observed in supported SMEs’ exports to the EU (Ca).

In contrast, the EC has contributed to a trend of economic policy reforms dating back to the late 1980s and consisting in reducing State subsidies, increasing tax revenues, privatising loss-making State companies, and strengthening public finance management. These reforms have actually been passed and applied. They can be connected to improvements in the country’s performance in areas like tax revenue, public debt, growth, and income poverty (Cb).

Finally, the EC has played a pioneering and successful role in promoting a sustainable management of urban water networks, through a continued capacity-building effort, systematic policy dialogue, and a series of innovative projects (Cc).

**Ca - The expected breakthrough in exports to the EU did not occur**

*Priority: XXX, strength: X, based on questions T and I, pages 23, 36*

Trade liberalisation is part of the objectives of the Barcelona process. It is by far the main objective of the Association Agreement. It is the first quoted objective in the CSP document. This strategy has been fully implemented over the last ten years. Jordanian industrial products have gained access to the EU market free of tariffs and quotas, and a critical mass of export-oriented industrial SMEs has been supported. Although Jordanian exports to the EU are growing, the EU market remains the third destination of Jordanian exports, and not the fastest growing one. No breakthrough has been observed in the EC-supported SMEs and there are signs that such a breakthrough is not likely to occur.

**Cb – The EC has been one among other contributors to a trend of beneficial economic policy reforms**

*Priority: XX, strength: XXX, based on question E, pages 20*

Through its Structural Adjustment Facilities, the EC has been one among other contributors to a trend of economic policy reforms dating back to the late 1980s and consisting in reducing State subsidies, increasing tax revenues, privatising loss-making State companies, and strengthening public finance management. Public debt, inflation and interest rates diminished considerably over the same period, while external trade and direct foreign investments increased rapidly53.

**Cc – The EC has played a pioneering and successful role in promoting a sustainable management of urban water networks**

*Priority: XX, strength: XXX, based on question W, page 31*

The EC has been the main contributor to building the capacity of Jordan (Ministry of Water and Irrigation and public agencies) to manage urban water networks. Jordanian authorities have recently demonstrated their capacity to manage complex privatisation processes and rehabilitation works in the area of urban and industrial water, with a view to reducing unaccounted-for utilisation and leakages. Moreover, a regional project (EMWater) and an effective policy dialogue have contributed to building the public/private sector capacity to promote the re-use of treated waste water.

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53 The evaluation has tested and confirmed the first sentence (the EC’s contribution to policy reforms) but not the second one (contribution of policy reforms to economic changes).
6.4 Learning from difficulties

D - The process of learning from difficulties has been lengthy

In two instances, this evaluation has found that major strategic priorities relied upon implicit assumptions, i.e. benefits of trade liberalisation and mutual understanding. In the case of trade, it was implicitly assumed that the opening of the EU market, combined with support to export-oriented SMEs, would entail a breakthrough in Jordanian exports to the EU. It is now established that these assumptions are not confirmed (see Ca), but this lesson was learned about two years later than it could have been. In addition, it took several years for new assumptions to emerge, and these assumptions are again mostly implicit. The consequence is a lengthy learning process, which in turn delays the corrective actions.
7 Recommendations

This chapter proposes the evaluation team’s recommendations which are clustered in three areas as follows:

- Joint policy development
- Cross-cutting issues
- Learning

Each detailed recommendation is characterised by a level of importance which ranges from the highest [XXX] to the lowest [X], depending on the evaluation team’s opinion as to its potential usefulness to the addressees.

Recommendations are either addressed to:

- The EC Delegation only
- The EC Delegation and the relevant services at headquarters. Such services will be identified in the next versions of this report.

Each recommendation is first expressed in an abstract manner for flexible implementation in the medium term. It is then operationalised and specified in order to be implemented in the short term.

The chapter includes a reminder of where the recommendations come from.

7.1 Joint policy development

Aa – Move up a gear with joint policy development in Jordan

Addresses: EC Delegation and headquarter services dealing with Jordan
Priority: XXX, based on conclusion B, page 52

As far as relevant, any EC activity in Jordan should be explicitly embedded in a policy development process. This should be made fully transparent to the Government and Member States, and subject to policy dialogue and EU-level coordination. The targeted policy reforms might be:

- either not yet on the Government's agenda, in which case the EC would coordinate with Member States in order to work with NGOs and networks of experts in order to build some capacity in the civil society and to raise awareness in the public arenas;
- or not yet tested but already on the Government’s agenda, in which case the EC would coordinate with Member States in order to develop pilots and capacity-building projects;
- or else fully tested and ready to be endorsed by the Government, in which case the EC would continue to promote sector budget support, or even an exit strategy.

This recommendation is not about doing things differently because there are success stories on all three above approaches, i.e. women's rights (first approach only – see page 33), reuse of treated waste water (first two approaches – see page 31), and SME policy (the three approaches were successively implemented over ten years – see page 35).

On the contrary, what is recommended is to acknowledge the approaches which have worked well and to promote them more actively and more explicitly.

The EC Delegation and the headquarter services dealing with Jordan should contribute to:

- raising awareness (first approach) in areas like water pricing and climate change;
- preparing policy reforms through pilots and capacity-building (second approach) in areas like strengthening civil society (see Box 6) and the media, certification and other means of overcoming the technical barriers preventing access to the EU market;
- assisting in the Government’s policy reform processes (third approach) in areas like training for employment and unconventional water resources.

In each specific case of policy reform, the whole range of EC activities should be marshalled in order to be aligned on the same goal. This applies to funding activities (project and budget support) as well as to non-financial ones like EU-level coordination, EC inputs into the various levels of dialogue, mainstreaming, promotion of EC thematic programmes in Jordan, communication, etc.

The EC should be prepared to change its approach to a given targeted policy reform in a rapid and flexible way, so as to adapt to changes in the Government’s agenda, changes in the Government’s capacity, progress of EC pilots, and progress of Member States’ initiatives. In other words, joint policy development should be closely monitored, and the best place to do that is within EU-level coordination meetings.

Box 6 – Joint policy development in the area of civil society

Beyond the Sharaka programme, a major challenge is to install an enabling environment for the birth and growth of NGOs, including at grass root level, in order to further promote pluralism, independence and credibility of NGOs, while preventing them to become instruments of extremism.

The EIDHR is not the solution because it focuses on human rights and capable NGOs only, i.e. only a small part of the target. Sharaka did not succeed in reaching grass root NGOs and was not associated with adequate policy dialogue. Moreover, the Government is currently restricting the access of grass root NGOs to international funding.

There is obviously a need for some joint policy development, but the current situation is far from mature for any kind of knowledge transfer to the Government.

What is recommended in the short term is that the EC:
- Undertake to coordinate with Members States on the NGO issue on the basis of this recommendation
- Raise the NGO issue on the agenda of the EU level political dialogue with the Government and, assuming a positive outcome of this dialogue …
- Prepare an EJADA like programme targeted at capable NGOs, with an aim to strengthen their sustainability, independence, credibility, responsiveness to needs, and coverage of the whole Jordanian territory, including poverty pockets
- Design such a programme in a perspective of joint policy development with a view to ultimately transfer the financial responsibility and the acquired knowledge to the Government in the framework of a sector budget support programme

<table>
<thead>
<tr>
<th>Ab – Focus coordination with Member States on joint policy development</th>
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<tr>
<td>Addresses: Relevant headquarter services</td>
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<tr>
<td>Priority: X, based on conclusion Bc, page 53</td>
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The above recommendation, which applies to Jordan, may also apply to any other country where contextual factors are similar, i.e. excellent, comprehensive and lasting policy dialogue between the
EC and the Government, smooth EU-level coordination, and substantial allocation of financial resources.

In such a context, the sharing of roles between EU players should be considered from a new perspective, as opposed to the old fashioned donor matrix approach, in which the EC is a player among others. In the recommended new perspective, several EU players would flexibly complement one another in a given policy domain, according to their generic strengths and weaknesses, the strengths of the EC being credible policy dialogue and sector budget support.

This recommendation is addressed to headquarter services in charge of reflecting on the “road maps” for EU-level coordination.

**Ac – Manage the transfer of knowledge to Governmental institutions better**

*Addresses: Headquarter services providing guidance about sector budget support*

*Priority: XX, based on conclusion Be, page 53*

The above recommendations are however contingent on the resolution of a problem identified in this evaluation, i.e. the difficulty encountered in transferring the accumulated experience from EC projects and programmes to Governmental institutions managing sector budget support programmes. This “knowledge management” problem is a difficult one in so far as accumulated experience has to be transferred across institutions in a fast-changing context.

There is no state of the art solution which could be recommended for handling this problem, which was observed even in the case of EJADA although a lot of attention was paid to sustainability. An innovative approach has therefore to be invented and tested, either in Jordan if a new sector budget support programme is being designed within the next months, or in another similar country.

Such innovative approaches should implement the following principles:

- The switch to sector budget support should involve transitional measures aimed at maintaining the accumulated knowledge readily available to the Government until the new institutional framework is fully stabilised. Since the evaluation team assumes that the accumulated knowledge percolates through individuals, such transitional measures should secure the sustained availability of managers, trainers, advisers, and/or experts involved in the previous projects/programmes. During a period of typically two years, financial and institutional resources should be secured in order to allow these people to be hired (full or part time) by the new institutions, or to participate in periodic workshops or training seminars.

- The sector budget support programme should include a target expressed approximately as: “until the institutional setting is fully stabilised, those responsible for the implementation of the sector budget support programme in Governmental institutions should maintain a close working relationship with those having the institutional memory of the previous project/programme”. This target should be operationalised through sharply designed indicators, (e.g. training sessions, workshops, twinning arrangements …) subject to monitoring and policy dialogue, and associated with financial incentives.

This recommendation is first addressed to the Delegation and headquarter services dealing with Jordan, and also to the headquarter services providing guidance on sector budget support, so that they can promote the approach suggested above in several countries as soon as possible. Lessons of general interest should then be derived from the best observed practices.

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54 Knowledge transfer is typically managed within organisations and not across organisation.
7.2 Cross-cutting issues

Ba – Refine the EC’s approach to mainstreaming cross-cutting issues

Addresses: Headquarter services in charge of cross-cutting issues
Priority: XX, based on conclusion Ad, page 52

Gender has not been mainstreamed in a systematic way, and this was assessed negatively in a previous evaluation. A few years later, this report comes up with the opposite judgement, i.e. that gender has been given appropriate attention at the highest level in the EC Delegation, and the issue was mainstreamed strategically, i.e. in areas where substantial impacts could be and have been achieved.

This is just a single case (gender in Jordan), but the evaluation team feels entitled to call it a lesson of general interest because the case is strongly substantiated, quite conclusive, and based upon a clear set of logical assumptions, i.e.

- systematic mainstreaming tends to dilute the attention paid to the cross-cutting issue, contrary to a strategic approach in which top-level managers remain committed,
- systematic mainstreaming is at risk of becoming a “ticking box” exercise, contrary to a more focused approach in which project / programme managers may become personally involved and may develop a feeling of ownership,
- systematic mainstreaming tends to scatter efforts in many areas where only small impacts are being expected, contrary to strategic mainstreaming.

This recommendation is mainly addressed to the headquarter services providing guidelines on mainstreaming and cross-cutting issues. Instances of strategic mainstreaming should be identified in other countries and in other domains, and the lesson learnt should be either invalidated or confirmed. In the latter case, strategic mainstreaming should become part of the EC guidelines as regards the design, implementation, monitoring and evaluation of all EC interventions.

Bb – Extend strategic mainstreaming to environment and good governance

Addresses: EC Delegation
Priority: XX, based on conclusion Ad, page 52

As far as Jordan is concerned, it is suggested that the above recommendation be immediately applied by:

- recognising that gender mainstreaming has been a good practice, which deserves to be continued in an explicit way,
- extending the good practice to other issues like the environment and good governance.

7.3 Learning

C – Clarify implicit assumptions and proceed to early tests

Addresses: EC Delegation and headquarter services in charge of Jordan
Priority: XXX, based on conclusion D, page 55

This evaluation concludes that the process of learning from difficulties has been lengthy in the area of trade. The learning process has been impeded by the fact that the achievement of key Barcelona objectives was based on assumptions which were left implicit in the case of Jordan, and which were not tested fast enough. Moreover, the failing assumptions have been replaced by another set of assumptions which are again implicit, and this evaluation has identified another similar problem with regards to the objective of “mutual understanding”.

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In order to speed up the learning process in the most strategic areas, the EC should:

- Focus on two far-reaching strategic objectives which are not clearly understood at present, i.e. export-based growth and mutual understanding, and for each of these objectives:
  - Write a short draft paper explaining how its current cooperation with Jordan is supposed to achieve these objectives55
  - Discuss this paper with Member State missions, relevant officials in the Government and Jordanian experts, possibly in a seminar, with a view to check the credibility of the assumptions;
  - Discuss this paper in the relevant arenas at sub-regional level;
  - Finalise the paper and post it on the Delegation website;
  - Select a few projects / programmes which have the best potential for testing these assumptions within the next months or years;
  - Identify the main chains of cause-and-effect assumptions which explain how the selected interventions are meant to achieve the far-reaching strategic objectives56;
  - Evaluate the impacts of the selected interventions with a view to testing the assumptions.

In order to achieve fast and effective learning, this process should be initiated by a mandate signed by top managers in charge of the EC strategy in Jordan, and terminated by a formal commitment to take action rapidly and to reconsider the assumptions in case the impacts are unlikely to be delivered.

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55 Such a paper should focus on a very limited number of “result chains”, i.e. chains of precise assumptions about causes and effects

56 This evaluation includes a draft set of such assumptions in the cases of trade (this volume, Section 5.2.2 page 36) and mutual understanding (Volume 2, Box 2).