



Proposal of an MSME Test for Jordan

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What does this presentation address?

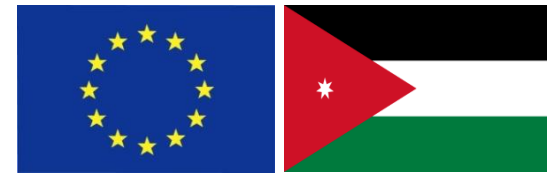
”MSME” broadly defined means “Micro Small and Medium Enterprises

1. Why is this important for Jordan?
2. Which is the best type of test for Jordan?
3. Who should be responsible for the test?
4. What is the best way to introduce it and ensure its success?
5. What are Next steps?
6. When can these steps be started?
7. How will we determine success of the tool?

I do not have all the answers to these questions but by the end of this day together we will have an answer



International context



- ❑ Global trends towards 'Better Regulation' and reducing administrative burdens
- ❑ Global organisations such as the OECD, EU, World Bank etc., have documented progress towards better understanding of what constitutes quality in legislation and how can regulatory burdens be reduced for MSME
- ❑ These trends are also visible in transitional and developing countries.



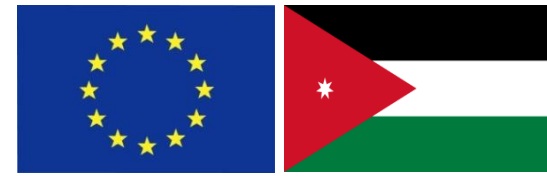
SMEs in Jordan



- ❑ One of the goals of the Strategy, developed by JEDCO, is to reduce, or at least ease, the legal and regulatory burden on SMEs. This will be accomplished in five ways:
- ❑ The development of a better understanding of the impact of new legislation and regulatory requirements for MSMEs
- ❑ The development of a tool to test the impact of new regulations on MSMEs



Goals Continued



- ❑ The review of the stock of legislation to eliminate unnecessary burdens,
- ❑ The simplification of administrative and regulatory obligations for SMEs and MSMEs.
- ❑ A change in culture amongst officials concerned with the development of new legislation to 'think small first' and consider the implications of new laws for small businesses and ensure that policy goals can be reached with a minimum of unnecessary burdens.



Steps in Policy Process



- ❑ Assessment of policy problem
- ❑ In EU and OECD consultation with the stakeholders essential
- ❑ Alternative options generated
- ❑ Cost benefit analysis of options RIA (increasingly used)
- ❑ Policy proposal translated into legislation
- ❑ A review of the proposed law is then made by a technically competent body before it is submitted to the Cabinet of Ministers
- ❑ The policy and the draft legislation are then considered by the Cabinet before presentation to parliament or for signature by a Minister if the proposal is for secondary legislation (Bye-Laws, regulations and private laws).



Where would a test fit?



- Most logical place is to start thinking about the impact of the proposal on MSMEs when new regulations are proposed and at each stage of the process.
- Therefore, officials in each ministry concerned with the development of new legislation (regulations) should be aware of the potential impact of their proposals on businesses especially small businesses.



What type of test for Jordan?



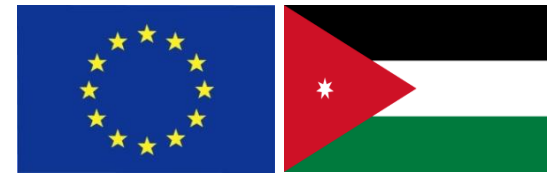
Two step test proposed for Jordan.

The first step is that Officials preparing new legislation should undertake a preliminary assessment of the impact of a proposed new law on SMEs.

This will be a sort of intuitive analysis where officials ask a series of simple questions consult with those involved in businesses likely to be affected and make a qualitative analysis of what needs to be done.



Second step



- ❑ If the preliminary assessment suggests that there will be a substantial impact of a proposed new law on SMEs, the second step will be to undertake a **cost benefit analysis** of the impacts of the proposed legislation.
- ❑ It will be necessary to assess the costs and benefits for the economy and society and take account of the costs and benefits for both the public sector and the SMEs concerned.
- ❑ These assessments should help ensure that the benefits of the proposal do not outweigh the costs.



First Step – a series of questions



Officials engaged in the task of developing new legislation need to ask themselves a series of questions such as:

- What is the problem to be solved?
- Are there means to solve the problem other than the introduction of new legislation and impose fewer costs on SMEs?
- Will this proposal have an impact on SMEs?
- If the proposal has an impact, 'roughly' what will be its costs and benefits?
- Are there any ways in which that impact can be reduced without adversely affecting the objectives of the proposed regulation?



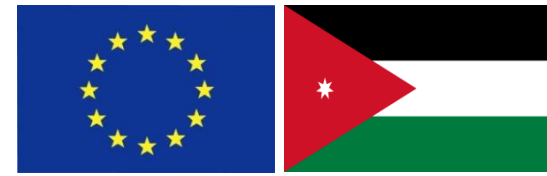
Will the proposed regulation affect MSMEs?



- The answer to this question will depend on the type of legislation.
- For example, proposed legislation concerning family law is not likely to have an impact on SMEs.
- Answering this question involves making a broad assessment of the characteristics of the legislation and whether businesses or sector(s) likely to be affected and, if so, how?



Thought processes



- ❑ Consideration needs to be given to the type of businesses likely to be affected.
- ❑ During this stage of the analysis, policy makers should establish whether SMEs are among the population likely to be affected by the new legislation.
- ❑ Policy makers should identify the characteristics of the businesses / sector(s) likely to be affected. Relevant sources of information should be explored including SME representatives.



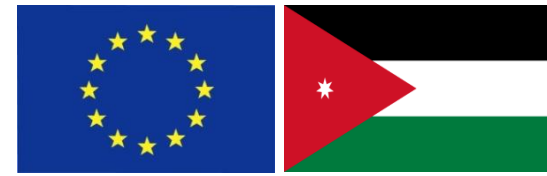
Non- exhaustive list of elements to consider



- ❑ The number of businesses and their size (micro, small medium or large enterprises),
- ❑ The proportion of the employment concerned in the different categories of enterprises to be affected,
- ❑ The weight of the different kind of SMEs in the sector(s) (micro, small medium or large enterprises),
- ❑ Links with other sectors and possible impacts on subcontracting



Consultation a key resource



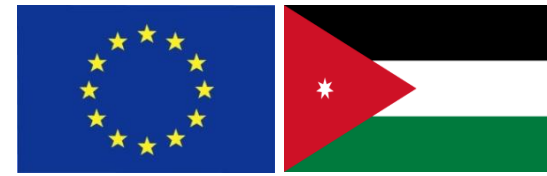
- ❑ Consultation documents should be clear, concise and include all necessary information
- ❑ As many stakeholders as practicable should be consulted
- ❑ There should be sufficient publicity supporting the consultation and the tools used should be adapted to the stakeholders concerned
- ❑ Sufficient time must be allowed for the consultation exercise to be effective



More on Consultation



- ❑ As far as practicable, collective or individual — acknowledgement of responses and feedback should be provided.
- ❑ There are a variety approaches to how consultations can be undertaken from the simplest to advertisements in the press inviting comments on a new proposal to more complex discussions with stakeholders by means of face to face discussions with those most likely to be affected,
- ❑ Test Panels of entrepreneurs to check new initiatives in flexible and quick manner, Specific committees, Use of IT tools (on-line consultations, forums)



- Administrative costs***
- Substantive costs***
- Cost and impact comparisons***



Cost–benefit analysis (CBA)



- ❑ CBA is a systematic approach to estimating the strengths and weaknesses of proposed courses of action for calculating and comparing benefits and costs of a government policy.
- ❑ Ideally, for each policy proposal alternatives should be generated so that some sort of sense of what is the best value for money. The first solution that comes to mind is rarely the best solution.



Regulatory benefits: direct/indirect



- ❑ Spill-over effects related to third-party compliance with legal rules (so-called “indirect compliance benefits”);
- ❑ Wider macroeconomic benefits, including GDP improvements, productivity enhancements, greater employment rates, improved job quality etc.; and
- ❑ Other benefits, which are difficult to measure in monetary terms include protection of fundamental rights, social cohesion, reduced gender discrimination, international and national stability, etc.



Can the impact be reduced?



Ways to reduce impact:

- full exemption from the scope of the proposed legislation,
- partial exemption from the scope of the proposed legislation,
- simplification of the procedures for SMEs faced with new legislation or
- amendments to existing legislation
- Partial exemption, exclusion or simplification***



Who, What, when and how?



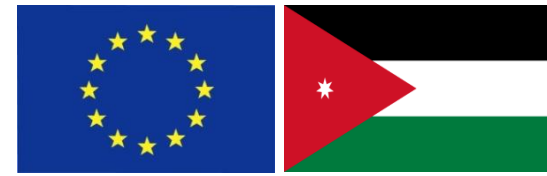
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Next - today



We want you to divide into groups

- ❑ Each group will consider a draft regulation and
 1. Apply the two steps suggested by me you
 2. Consider other ways to achieve the objective of assessing the potential burden on MSME's,
- ❑ where you do not know the costs and cannot monetise a benefit make a rough estimate
- ❑ Appoint a person to present your work to the Workshop



Thank you for your attention

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