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COOPERATION

LevelUP
ADVANCING JORDANIAN INDUSTRIES

**Upgrading
The Jordanian
Garments & Fashion
Value Chain to Boost
Job Creation for
Youth and Women**

Opportunities, challenges
and recommendations



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The project

Funded by the Italian Agency for Development Cooperation (AICS), “Job creation for youth and women through improvement of business environment and SMEs competitiveness project (i.e., LevelUP - Advancing Jordanian Industries)” was approved in 2018 and the implementation began in 2019.

LevelUP - Advancing Jordanian Industries is a United Nations Industrial Development Organization (UNIDO) multi-component project that aims to create decent job opportunities for women and youth including through self-employment and support of the inclusive and sustainable industrial development of the country in accordance with the Jordan 2025 Economic Development Plan. In partnership with the Ministry of Industry, Trade, and Supplies (MITS) and with AICS the project contributes to Jordan’s industrial advancement and provides the government with key economic tools to support the development of competitive small and medium-sized enterprises (SMEs). The project supports the Hashemite Kingdom of Jordan in its efforts to build a nurturing ecosystem that promotes economic inclusion and enables women and young people from both rural and urban regions to realize their entrepreneurial aspirations. LevelUP closely works with diverse national and international actors, including the private sector, NGOs, women, youth and sectorial associations, business development service providers and academia.

The project seeks to strengthen evidence-based policymaking for inclusive and sustainable industrial development and, more tangibly, to increase Jordan’s private-sector contribution to job creation (including through self-employment) by enhancing the competitiveness of SMEs in selected value chains. This, in turn, will contribute to improved social and economic inclusion of youth and women and will lead to poverty reduction at the national level.

The project is built around two components whose combined effects will result in increased competitiveness and opportunities for the private sector to expand and create job opportunities for youth and women.

Component 1: Developing an information system on the industrial sector that supports the production of evidence-based industrial and market intelligence analysis, and that facilitates overall monitoring of industrial development, including its impact on the economic inclusion of women and youth which is carried out through the establishment of the Industrial Intelligence Observatory and the Jordan Industrial Competitiveness report.

Component 2: Enhancing investment and market opportunities in three selected value chains: Fashion and Garments, Natural Cosmetic and Food supplements industry as drivers of job creation and self-employment for youth and women in both urban and rural regions.

Executive Summary

This document summarizes the analysis of Jordan's **garments and fashion value chain (VC)** and aims to acquaint the reader with its potential in terms of market, women and youth employment generation, and innovation. This value chain analysis (VCA) was prepared by the United Nations Industrial Development Organization (UNIDO) in 2020 under the framework of the **“Job creation for youth and women through improvement of the business environment and SMEs competitiveness”** project implemented by UNIDO in collaboration with the Ministry of Industry, Trade and Supply (MITS), and financed by the Italian Agency for Development Cooperation (AICS). The motivation behind the VCA is the alarming level of unemployment in Jordan, mostly concentrated among women and youth. In 2020, the **unemployment rate (aged 15-64) reached 17.4 percent for men compared to 26.5 percent for women. Youth unemployment (aged 15-24) peaked at 40 percent in 2020.**

The Ministry of Industry Trade and Supply (MITS) of Jordan and UNIDO researched the potential of the Garment and Fashion value chain to provide a portion of the **60 000 new jobs annually demanded by Jordan's women and youth.** The sector employs approximately 87 000 workers in 60 large companies, 105 SMEs, and 1 350 micro enterprises. On the one hand, **large companies, mainly foreign-owned, employ most of the garment workforce, i.e. 69 000 workers, of whom 75 percent are migrants (mainly women) from South Asia and East Asia.** According to the interviews administered by this VCA, South Asian workers are considered to be more willing to work overtime, to have lower absenteeism, and to come already skilled in the garment industry compared to their Jordanian counterparts. These data show that there is untapped potential for employment of Jordanians in foreign direct investment (FDI), if workers are provided with the required skills and conditions. On the other hand, **SMEs and micro enterprises employ 10 500 and 7 400 workers, respectively, of which 40 percent are women (aged >18) and 40 percent are young adults (aged 18-30).** Thus, any improvement in the garment SMEs would positively affect women and youth employment.

Another reason to select the garment and fashion sector is its incidence on Jordan's economic growth, accounting for 27 percent of the country's exports worth USD 2 billion. There is a clear divide within the Jordanian garment export landscape between large factories and SMEs. **Large companies account for approximately 95 percent of Jordan's garment exports, mainly exporting sportswear articles for Nike and Under Armour brands in the United States of America.** Based on the advantages of the **trade agreement between Jordan and the United States of America (JUSFTA), exports and employment in the sector are anticipated to grow by 30 percent and 17 percent respectively by 2025.** On the contrary, SMEs depend primarily on the local market, while a few of them export to the Gulf Cooperation Council (GCC) (mainly Saudi Arabia) and to neighbouring countries (mainly Libya). National SMEs have the capacity to increase their exports if the recommended interventions are implemented.

For their export and national employment potential, this VCA focuses on SMEs and samples 30 select SMEs for interviews and analysis.

Companies in Jordan tend to focus on the **“cut make and trim” (CMT)** phases of garment production, which have limited value added. Inputs must be sourced from abroad. Due to a lack of domestic cotton production and a water shortage, no fabrics are produced in Jordan and there is very limited value adding design capacity.

SMEs individually produce up to 120 000 pieces a year including **Islamic wear, uniforms, sportswear, skirts and dresses, pants and suits, and evening dresses (HS codes 60, 61, 62).** SMEs generate an average **gross profit margin of 15 percent.** **Jordanian SMEs mainly sell in the local market, but they satisfy only a small portion of market needs (13 percent)** despite import tariffs. According to trade statistics from the International Trade Center (ITC), **Jordan imported garments amounting to USD 965 million in 2018 with an annual growth rate of 13.4 percent** over the past five years. This is because of the fierce import competition from Chinese, Turkish and Bangladeshi producers combined with uncompetitive Jordanian costs generated by **high costs of production (e.g. expensive input, lead time and transport costs, energy costs, fiscal charge, and company inefficiency)** at equal product specification and quality.

The VCA has identified some comparative advantages for Jordan's garment sector and export opportunities in the European Union (EU) market. Compared to lower-price high-volume competitors such as Bangladesh, Jordan has a competitive advantage in **small-batch flexibility**, which allows it to satisfy the needs of smaller clients in the European market who request repetitive, yet small order sizes. Companies in Jordan may benefit from a beneficial geographical location and trade agreements such as the **EU relaxed rules of origin (RoO)** (in place until 2030) and the **Agadir agreement** to access the EU market (although SMEs still need to fulfil some conditions). Jordan has potential in the EU market because of the **growing demand in EU markets for Islamic wear:** large brands like Zara and H&M have recently expanded their offer of Islamic fashion products. In addition, EU buyers are moving away from China and Bangladesh to avoid certain environmental issues and are looking for new sourcing countries to meet their corporate social responsibility (CSR) strategies. The garment sector in Jordan offers employment opportunities to Syrian refugees and this **social impact** can be leveraged as a unique opportunity to sell **‘products with a purpose’.**

Recommended interventions may be summarized in the following areas:

Research and development (R&D) to produce high added value products through quality testing and design activities. An independent quality testing centre may be established to improve the quality of garment products and to comply with market access requirements. Innovation in garment products also depend on their design: the Garment Design & Training Services Centre (GSC) may be supported to build design capacities within Jordanian SMEs to address the current lack of design skills in the manufacturing industry.

Enhancing competitiveness by reducing logistics costs. According to the World Bank's Logistics Performance Index "Ease of arranging competitively priced shipments", Jordan ranks below China, Türkiye, and Bangladesh, the main competitors in the GCC and neighbouring countries. Possible recommendations at company level include upgrading the technological level e.g. by introducing enterprise resource planning (ERP) systems to manage logistics. At the business environment level, borders and customs with surrounding countries required improved facilitation, while the port of Aqaba could improve its level of service.

Improving human capital. The Technical Vocational Skills Development Council (TVSDC) could better provide vocational training programs in line with the skills demanded by the garment sector to reduce the mismatch with the actual Jordanian worker competencies. Decent salaries and better working conditions are another important motivator for Jordanians to work in the garment sector.



「01 INTRODUCTION」



1.1 Three studies promoted by the Ministry of Industry Trade and Supply to foster job creation in Jordan

This document summarizes the analysis of the **Garment and Fashion Value Chain (VC)** of Jordan and aims to acquaint the reader with its potential in terms of market, employment generation (for women and youth) as well as innovation. It also indicates options to develop the VC in Jordan.

This value chain analysis (VCA) is part of a series of three VCAs: the other two focus on natural cosmetics, and medicinal and aromatic plants. These VCAs were prepared by UNIDO in 2020 under the framework of the “**Job creation for youth and women through improvement of business environment and SMEs competitiveness**” project implemented by UNIDO in collaboration with the Ministry of Industry, Trade and Supply (MITS), and financed by the Italian Agency for Development Cooperation (AICS).

1.2 Research data and methodology

The VCA comprehensively mapped the VC actors, assessed their markets, technical capacities, and economic performance centred on the SMEs producers’ upstream supply and downstream distribution. This included a thorough review of principal constraints, growth bottlenecks and untapped development opportunities, particularly with regard to women and youth economic inclusion, whether as employees or entrepreneurs. Based on this analysis, an upgrade strategy and action plan were formulated to enhance the Jordanian enterprises’ competitiveness.

The VCA relies on: (1) a 2019 VC identification study that benchmarks the youth- and women-employment potential of different Jordanian value-chains; (2) research and analysis of secondary sources for relevant data and information; and (3) primary data which complete and validate secondary data. The research team interviewed a sample of 30 SMEs operating in the garment and fashion VC, and a wide range of key stakeholders including government ministries with enterprise development functions, international organizations with related support programs, and branch organizations and service providers.

Eventually, a decision was taken to focus on the Jordanian SMEs because these companies have the capacity to produce all the varieties that the large enterprises produce and mainly sell to the local market, but also have the potential to expand and increase their exports.

1.3 Women and youth unemployment rates reached 27 and 41 percent respectively in 2020

The motivation behind the VCA is strictly linked to the alarming rates of youth and women unemployment or underemployment.

The total unemployment rate remains in double digits and structural regardless of the business cycle fluctuations. As of March 2014, Jordan has sheltered a large influx of Syrian refugees, many seeking jobs. **Figure 1** shows that, since then, the total unemployment rate in Jordan has dramatically increased reaching 19 percent in 2020 while **net job creation dropped from 66 400 in 2016 to 54 000 in 2017, a 23 percent decrease.**¹ In particular, the unemployment rate varies significantly by gender: **the unemployment rate for men has reached 17.4 percent in 2020 compared to 26.5 percent for women.**²

¹ UNHCR, Fact Sheet, Jordan April (2019)

² Source: elaboration based on World Bank data <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=JO>

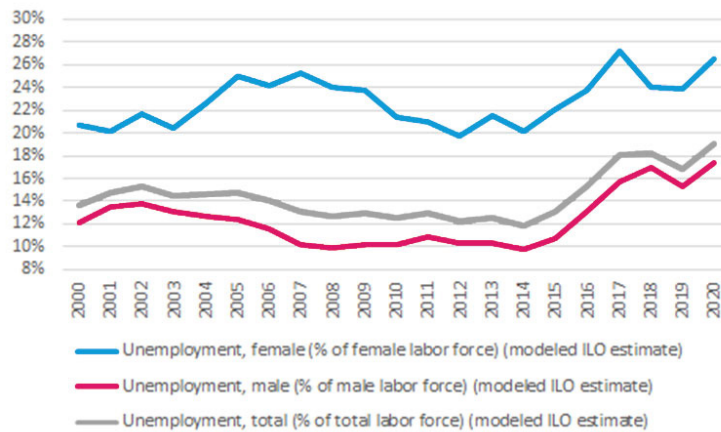


Figure 1. Total, female and male unemployment rates (15-64 years)³

Unemployment is concentrated among young people. In 2020, the youth unemployment rate reached 40.7 percent (Figure 2) and was ranked twelfth highest in the world.⁴ The Jordanian productive sector is not creating enough job opportunities to absorb the more than 60 000 young citizens who enter the labour market annually.

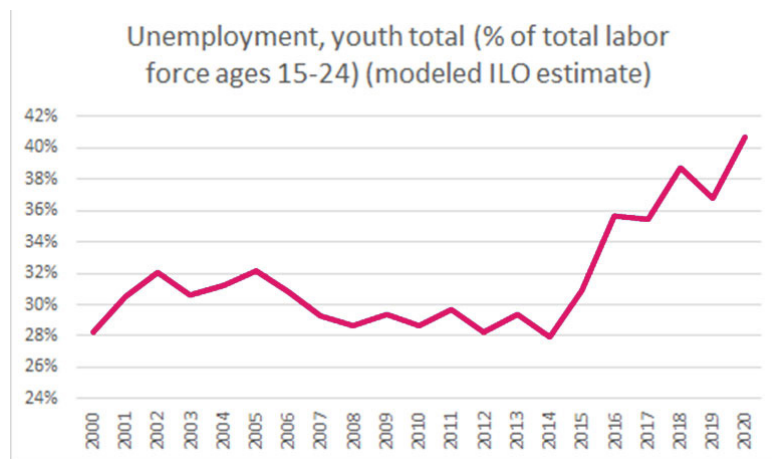


Figure 2. Youth unemployment rate (15-24 years)⁵

The above figures, especially the large demand for jobs, the incidence of women and youth workers, the untapped potential for employment of Jordanians in FDI, the export and innovation potential, together with the emerging (sustainable) fashion trend, have prompted MITS and UNIDO to investigate and invest in the apparel and fashion value-chain.

Overcoming the challenges described in this VCA and increasing the competitiveness of Jordanian SMEs would lead to a production increase and new jobs creation, in particular for women and youth.

1.4 The impact of garment and fashion on Jordan's economic growth and employment

The garment and fashion sector in Jordan amounts to exports worth USD 2 billion accounting for 27 percent of the country's total exports.⁶ The sector employs 2.5 percent of the country's total labour force, and the share of the garment workforce consisting of women is 69 percent.⁷ More in detail, 40 percent of the workforce in SMEs is female, while for the large companies this percentage is estimated to be around 76 percent.⁸

³ Source: elaboration based on World Bank data <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=JO>

⁴ Skills for Trade and Economic Diversification (STED) in the Garment & Leather Manufacturing Sector in Jordan, ILO (2020)

⁵ Source: elaboration based on World Bank data <https://data.worldbank.org/indicator/SL.UEM.1524.NE.ZS?locations=JO>

⁶ "Job Creation for Youth and Women through the Improvement of the Business Environment and SMEs' Competitiveness- Garment and Fashion" (UNIDO , 2020)

⁷ "Value Chain Analysis Jordan Garments" (Center for the Promotion of Imports from Developing Countries, 2019)

⁸ This has been estimated considering 69 percent as the weighted average of female percentage in the MSMEs and in the large companies, where the weights are the numbers of employees for each category.

The International Labour Organization (ILO) estimates that, in the garment and leather sector in Jordan, exports are anticipated to grow by 30 percent from 2019 to 2025. This increase is built on competitive advantage and high exports to the United States of America based on the free trade agreement (FTA) signed between the United States of America and Jordan. As a result, employment is anticipated to grow by 17 percent from 2019 to 2025.⁹

Currently, Jordan's garment and fashion industry accounts for approximately 1 500 large, SMEs and micro factories which employ a total of around 87 000 people¹⁰ (Table 1).

Company Size	Number of Enterprises	Number of Employees
Large	60	69 000
SMEs	105	10 500
Micro	1 350	7 400
TOTAL	1515	86 900

Table 1. Estimated number of garment and fashion enterprises and employees in Jordan¹¹

- **Large enterprises account for 95 percent of the workforce in Jordan's garment and fashion sector and cover 95 percent of Jordan's garment exports.** Most of these firms are foreign owned, either through joint ventures or holding companies abroad, with **75 percent of foreign labour**, mostly from South Asia and Southeast Asia (the majority from India, Sri Lanka, Bangladesh).
- **SMEs** are locally owned and typically oriented towards the local or regional market but **show strong interest in expanding their horizons towards new markets (e.g. EU)**. Contrary to the large companies, the workforce in SMEs is mainly Jordanian.
- Micro-sized factories operate in the informal market with very small production for the local market only. They do not have the potential to export in the short-medium term.

⁹ Skills for Trade and Economic Diversification (STED) in the Garment & Leather Manufacturing Sector in Jordan, ILO (2020). As exports and employment in the garment and leather sector are mainly driven by the manufacture of wearing apparel, these statistics can be used as an indication for the garment and fashion sector analysed in this document. The other subsectors (leather manufacture, bed linens and blankets, carpets and rugs) are much smaller and have less economic impact on employment and exports.

¹⁰ "Job Creation for Youth and Women through the Improvement of the Business Environment and SMEs' Competitiveness- Garment and Fashion" (UNIDO , 2020)

¹¹ "Job Creation for Youth and Women through the Improvement of the Business Environment and SMEs' Competitiveness- Garment and Fashion" (UNIDO , 2020)



02 KEY FINDINGS



2.1 Products and actors

- What are the **product offerings**? Jordanian SMEs produce **Islamic clothing, uniforms, sportswear, skirts and dresses, pants and suits, and evening dresses** falling under the following **HS codes: 60** Knitted or crocheted fabrics, **61** Articles of apparel and clothing accessories, knitted or crocheted, and **62** Articles of apparel and clothing accessories, not knitted or crocheted. Five out of the seven large companies focus on the production of sportswear (HS 6114).

How is the value chain structured?

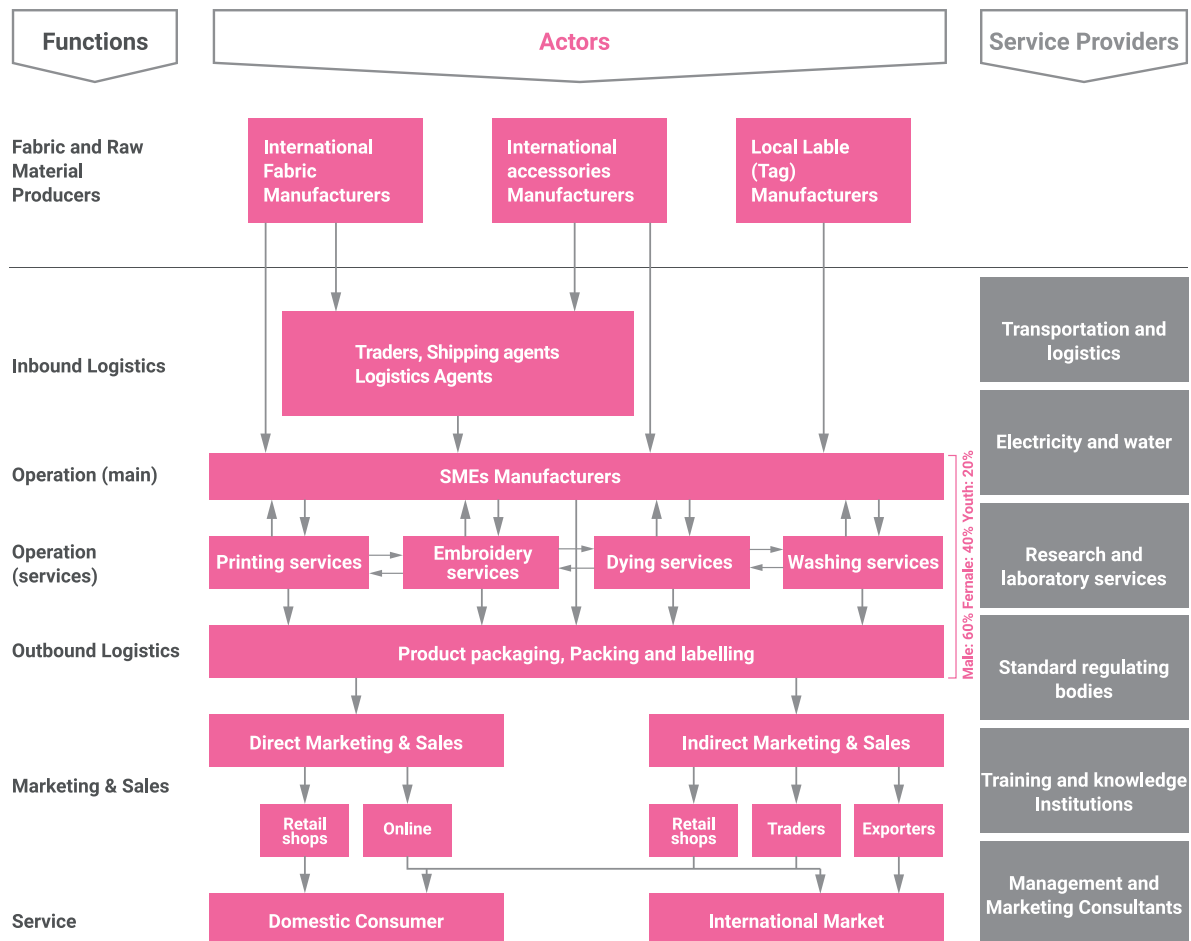


Figure 3. Garment Value Chain map in Jordan

Figure 3 maps the VC of an **SME** in the garment and fashion sector, whose main **functions** are:

- **Inbound logistics:** the garment manufacturing process starts with **raw material procurement**. Fabrics and accessories (including zippers, buttons, fasteners, robe, tags, and others) are mainly imported directly by manufacturers or indirectly by wholesalers.
- **Operations:** the **manufacturing process** starts with the design selection, pattern making, fabric spreading, cutting, bundling; followed by the **sewing process**. In the meantime, tags, labels, and other attachments are added. Other processes can be performed, such as printing, embroidering, washing, and dying, either internally by the manufacturers who have the proper facilities or externally subcontracting other SMEs.
- **Outbound logistics:** a general **visual quality control check** is done, and the ready garments are **hung** on hangers or **packed** to be delivered to customers.
- **Marketing and sales:** some SMEs sell **directly** through their own show room and retail shops, or recently via their online channel, or **indirectly** through wholesalers and traders who sell locally in their retail shops. Only few SMEs export to foreign markets, either directly to local wholesalers or agents, or through Jordanian exporters.

The main **service providers** are: (1) **transportation and logistics services** as international orders of raw materials and product deliveries are shipped via the ports of Aqaba or Haifa (Israel) or transported by road across the Syrian Arab Republic, Lebanon, Türkiye and the Gulf; (2) organizations that support the **training** of the employees' skills such as the Vocational Training Centre (VTC) and the Garment Design & Training Services Centre (GSC); (3) private owned companies providing **marketing consulting services** such as CMC, Sondos Market Research, Beyond Consulting, Arab Advisors Group, and Dajani Consulting; and (4) **grading and standard regulating bodies** such as the Jordan Standards and Metrology Organization (JSMO).

- **There are commonly two types of businesses** working in the garment sector in Jordan:
 - **Cut Make and Trim (CTM):** inputs and product specifications are entirely or almost entirely supplied by the client to the manufacturer, which focuses on production alone. The added value is minimal.
 - **Own brand manufacturing (OBM):** in addition to CTM, the factories take on the sourcing and financing of raw materials and have post-production responsibilities. More value added is created.
- **SMEs have modern semi-automated machines and individually produce up to 120 000 pieces a year.** For higher-value products like Islamic wear, the average annual production capacity reaches up to around 30 000 pieces, whereby factories producing more basic T-shirts come in at around 150 000 pieces annually. On the contrary, large companies produce from 50 000 up to 1 million pieces annually.

Currently, the production capacity is under-utilised (saturation is between 50 and 75 percent) with installed capacity for production increase. Plant underutilization is mainly due to the recent impact of the COVID-19 pandemic, fierce competition from imported products from China and Türkiye, and high production costs (e.g. logistics, energy and government taxes).

- **Despite high costs of production, most SMEs generate a gross profit margin of 15 percent,** a few have lower results. The major costs incurred by SMEs are raw material which account for 41 percent of the final product price. This is linked to the lack of fabrics and accessories manufacturers in Jordan. **The annual sales of the garment SMEs in Jordan in general are less than USD 5 million per company, the majority sells less than USD 500 000 per company.** Once the business grows, the garment companies make a reasonable gross profit margin, which ranges between 10 and 20 percent, some do as high as 30 percent while others barely break even. It should be also noticed that taxes on production in the garment and leather sector accounts for **USD 48.9 million in 2017,¹² i.e. 2.4 percent of total taxes on production for industrial activities in Jordan.**
- **The average local added value for the final product is estimated to range between 30 and 40 percent.** In this case, the term value addition covers every step in the production of garments that adds any economic value to the original input. As a result, any value addition by local factories should come from the main operations such as laying, cutting, sewing.

¹² Skills for Trade and Economic Diversification (STED) in the Garment & Leather Manufacturing Sector in Jordan", ILO (2020).

2.2 Jordanian women and youth in national SMEs, South Asian workers in large FDIs

- **Women represent 40 percent of the labour force in the VC of Jordanian SMEs.** As shown in Figure 4, young women employees between 18 and 30 years old represent 17 percent of the total women employees, while women employees between 31 and 50 years old represent 77.4 percent. The women over 50 years old represent only 5.4 percent. Figure 4 shows that **any improvement in garment and fashion production would positively affect a significant concentration of women aged between 18 and 50.** While the above relates to the apparel and garment producers, fabric and accessories importers in Jordan are usually mainly male employed micro companies with fewer than 10 jobs, and where women work in general administration positions. Most of these enterprises do not hire more than one female and therefore may only indirectly contribute to more women's employment.

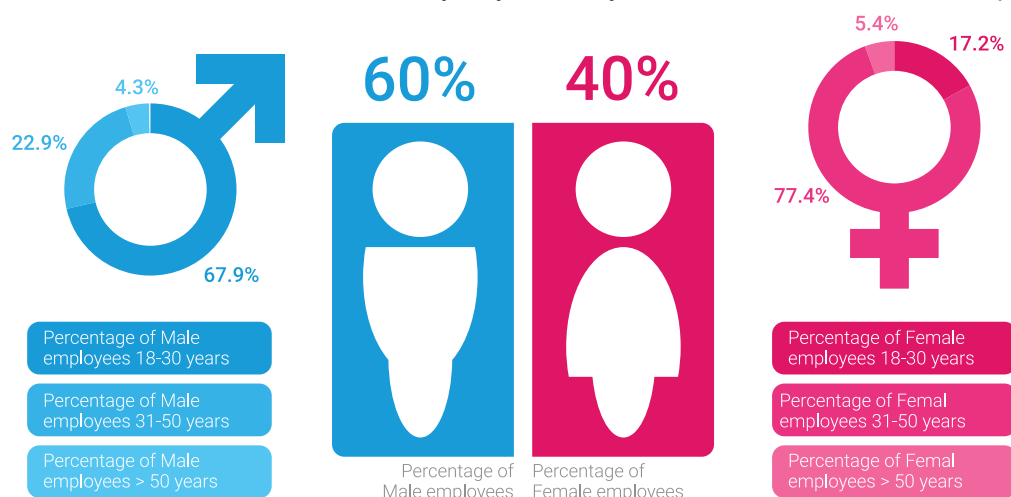


Figure 4 Gender and age distribution in the garment and fashion VC in Jordan

- **Women working in the sector face challenges: responsibility for children and lower salaries mostly.** Some SMEs managers highlighted that some women leave the sector the moment they get married, whether based on their own decision or forced by their husband. The field research revealed that women accept lower salaries and get fewer salary increases compared to men, which leads to lower salaries for women for the same years of experience.
- **Foreigners represent 75 percent of the workforce in FDI. Manufacturers favour migrants over local workers as they are more willing to work overtime, have lower absenteeism and come already skilled in the garment industry, reducing the need for on-the-job training.**¹³ The garment sector presents cases of labour exploitation, including limited freedom of association, discrimination in employment, illegal recruitment practices, poor dormitory conditions, human trafficking¹⁴ and wage disparity between foreign and other workers (169 vs 290 USD).¹⁵

2.3 Fierce import competition in the domestic market due to expensive supplies, energy costs, fiscal charge, company inefficiency and lack of differentiation

- **Jordanian SMEs mainly sell in the local market, but they satisfy only a small portion of the market needs (13 percent).** The local market is estimated to be worth USD 700 million.¹⁶ The sector can be described as **"Local Market Dependent"**, as SMEs mainly sell in the local market. There is an opportunity to increase the local market share because, after the COVID-19 pandemic, the local market is more open for **"made in Jordan"** products as international competitors' supplies got interrupted. This means that there are **opportunities to substitute the imported garment products** mainly from **HS code 60**,¹⁷ the most imported in Jordan (Figure 5), if the national production is made more or equally competitive when compared to imported products, through the recommended interventions at business environment level (energy, logistics, taxes) and at company level (efficiency).

¹³ "Value Chain Analysis Jordan Garments" (Center for the Promotion of Imports from Developing Countries, 2019)

¹⁴ "Migrant domestic and garment workers in Jordan. A baseline analysis of trafficking in persons and related laws and policies", ILO (2017).

¹⁵ "Value Chain Analysis Jordan Garments" (Center for the Promotion of Imports from Developing Countries, 2019)

¹⁶ Stated by Mr Qadiri "Representative of leather and garment sector, Board member Jordan Chamber of Industry".

¹⁷ In particular **6006 and 6001**, which are respectively "Pile fabrics, including long pile fabrics and terry fabrics, knitted or crocheted", and "Other knitted or crocheted fabrics"

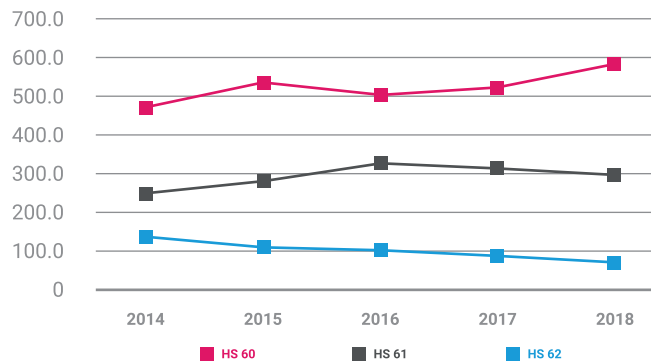


Figure 5 Jordan garment imports 2014-2018, Million USD

- China, Türkiye and Bangladesh are Jordan's main competitors in the local market.** While local producers do not compete with each other, they fiercely compete with the international competitors. Jordan imported USD 965 million in garments in 2018 according to ITC trade statistics. Imports have been growing with an average of 13.4 percent per year over the last five years. Most of the imported garments are from **China, Türkiye and Bangladesh**. It has been observed lately that **Türkiye has been increasingly flooding the Jordanian market with low-end, low-priced products**, at lower prices than the Jordanian production.
- High production costs in Jordan make locally-produced products more expensive than imported ones.** Manufacturers in Jordan in general encounter higher production costs compared to many competitors (costs of sourcing materials, low efficiency, energy, taxes, etc.). Thus, although import tariffs on different HS codes vary from 13.9 to 20.0 percent for China, and from 2.09 to 10.01 percent for Türkiye, this still does not compensate the production cost difference. **Despite import tariffs, the imported products of the same category and quality are cheaper than those locally produced.**
- Lack of fabrics and accessories' manufacturers in Jordan increases costs and lead time.** This is a source of disadvantage against other competitors such as Türkiye which does have access to locally-produced fabrics and accessories. However, **garment SMEs in Jordan are considered skilled in sourcing the fabrics and accessories.** The owners and/or procurement managers visit fairs and exhibitions in China, India, Türkiye and Taiwan Province of China for direct sourcing and keeping up to date on fabric and trims trends.

2.4 Export market potential: large FDI sell sportswear to the United States of America, Jordanian SME Islamic wear, and workwear to GCC and EU

- The SMEs contribute much less than large companies to export value...**

In 2019, Jordan's exports of garment sector totalled USD 2 billion according to the Central Bank of Jordan.¹⁸ As shown in **Figure 6**, Jordan exports are mainly HS code 61 products and the United States of America accounts for 88 percent of this commodity. However, these exports are mainly the exports of the FDI companies that export to the United States of America thanks to the JUSFTA agreement, which allow products manufactured in Jordan to enter the country duty- and quota-free. **90 percent of Jordan's total garment exports consist of high-quality sportswear (HS code 6114) for brands such as Nike and Under Armour.**¹⁹ The Western world's demand for high quality sportswear continues to be very high as healthy lifestyles become increasingly popular.

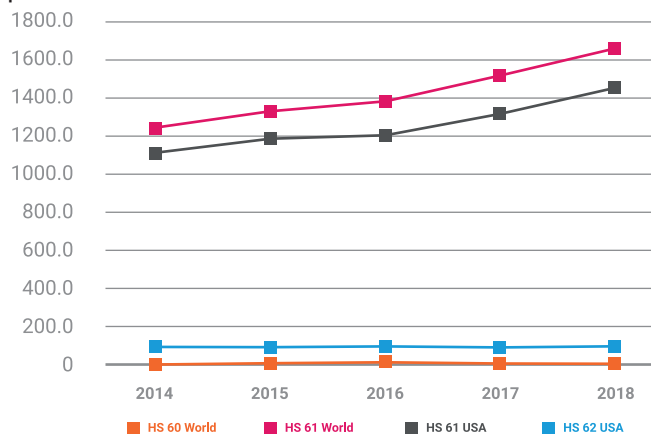


Figure 6 Jordan garment exports to the world vs USA 2014-2018, Million USD ²³

¹⁸ Central Bank of Jordan (CBJ)

¹⁹ "Value Chain Analysis Jordan Garments" (Center for the Promotion of Imports from Developing Countries, 2019)

- **SMEs have unutilised export opportunities, notably towards the Gulf Cooperation Council (GCC) and neighbouring countries.** The field research reveals that in Jordanian SMEs, garment exports are mainly to Saudi Arabia, Qatar, Kuwait, and from the GCC and to Iraq, Palestine, Lebanon, Egypt and Libya from the neighbouring countries. Furthermore, annual fashion sales in the Middle East's GCC markets amount to USD 50 billion, reflecting the region's significant financial clout. Although the GCC is the first importer of Jordanian garment products, Jordanian exports still contribute to less than 1 percent of these countries' imports, less than 10 percent of the other neighbouring countries' imports. This indicates that there is an opportunity to increase exports. This market share is still low because Jordanian SMEs face fierce competition with China, Bangladesh and Türkiye due to the same challenges faced in the local market (high cost of production, lack of raw material, inefficient production, etc.).
- **In addition to the Gulf, Jordan has potential in the EU market because of the growing demand on EU markets for Islamic wear.** Some brands are increasingly building up an Islamic modest product line in their collections. Large brands like Zara and H&M have recently expanded their offer of Islamic fashion products, by offering specialized product lines. Jordan is home to quite many successful Islamic wear producers with a developed level of Islamic design. Firms produce special occasion products (high added value) as well as daily wear.
- **Workwear and corporate wear were also identified as products' group with high potential identified for the EU market as well as the Gulf.** The potential for Jordan in this segment can be explained by the fact that there is already in-country experience. This product group requires a high service level and MOQ flexibility. Typical for the workwear product group is the fact that orders usually come in through tendering processes, only suitable for larger firms or **grouped SMEs**.

2.5 Competitive advantages to leverage: US FTA, EC RoO, country image, small-batch flexibility, GCC and EU market vicinity

- **SMEs may benefit from trade agreements such as the EU relaxed RoO and Agadir agreement to access the EU market.** The RoO agreement allows most Jordanian products access to the EU market duty- and quota-free until 2030. More recently, the European Commission has allowed that made-in-Jordan products include more than 70 percent of production inputs from non-local materials, enhancing RoO scheme applicability. The Agadir Free Trade Agreement (2006) represents a primary tool for enhanced industrial integration among members, with the aim of increasing their exports to the EU. Manufacturing goods that are exchanged between Member States are subject to the removal of customs fees and other tax fees. However, **Jordanian garment SMEs did not benefit from these agreements yet, as they are still working to fulfil the agreement conditions and requirements.** The garments exports to Agadir countries (Morocco, Egypt, and Tunisia) were less than 0.4 percent of Jordan's exports in 2018 with no significant increase since the implementation of the agreement. Nor was there an increase in Jordanian exports to the EU, as more familiarity with European standards and design was needed.
- **EU buyers are looking for new sourcing countries to meet their CSR strategy.** EU buyers are moving away from China and Bangladesh to avoid social and environmental issues. The garment sector in Jordan offers employment opportunities to Syrian refugees. Achieving social impact in this aspect can be leveraged as a unique selling point for Jordan, providing an opportunity to sell 'products with a story'.
- **Jordan has a competitive advantage in delivering small size orders.** Most Jordanian SMEs are willing to accept small order sizes starting from 50 pieces and are generally very flexible to respond to different order sizes. This is particularly advantageous in attracting new buyers, especially in the European market, which is characterized by smaller clients requesting repetitive yet small order sizes. This is an important competitive advantage for Jordanian SMEs over lower-price high-volume competitors such as Bangladesh in both local and global markets.
- **Geographical location and infrastructure allow for efficient logistical connections from supplying countries and to export market.** Jordan's geographical location allows it to access the European as well as Middle Eastern markets – a benefit that Asian competitors do not have. However, according to World Bank data, Jordan has the lowest coefficient of "ease of arranging competitive" in 2018 compared to Asian competitors such as China and Bangladesh.²⁰

²⁰ World Bank database available at <https://databank.worldbank.org/reports.aspx?dsid=2&series=LP.LPI.ITRN.XQ>



03 OPPORTUNITIES, CHALLENGES & RECOMMENDED INTERVENTIONS



The research team has found both opportunities and challenges in the different areas of the entire process: **technology, production, logistics, marketing and support**. These challenges and opportunities are identified as strengths (**S**), weaknesses (**W**), opportunities (**O**), or threats (**T**) according to the SWOT analysis method. For each challenge, possible interventions, responsible stakeholders and potential supporters are identified.

TECHNOLOGY

3.1 Use modern warehousing facilities to improve inputs' tracking efficiency

SMEs in general store their raw material in good conditions on pallets away from humidity and insects, but they do not use any technology to track the stored quantities and their assortments.

Opportunity/ challenge	Interventions	Area of responsibility	Potential Supporters
SMEs do not use any modern storage facilities. (W)	Support SMEs to acquire modern storage facilities and technologies.	JEDCO	JCI, UNIDO, EBRD

3.2 Make innovative designs using CAD software solutions

80 percent of business owners/managers have the proficiencies and training to use computer systems and internet. However, these skills are not used to implement **computer aided design software solutions** to make innovative designs.

Opportunity/ challenge	Interventions	Area of responsibility	Potential Supporters
Lack of using computer aided design software solutions to make their own innovative designs. (W)	Support SMEs to acquire modern computer aided design software and upgrade their skills to be able to use it.	JEDCO	JCI, UNIDO, EBRD

3.3 Build design capacities within SMEs through training centres.

In the garment industry the best remunerated activity is design, however only few manufacturing Jordanian SMEs design their own collection, the rest do not have design activities, nor do they subcontract the design process. These SMEs rely on a few repetitive good selling designs, with some minor modifications to the fabric or colour. Only recently, design has grabbed the attention of the youth, especially women, and some designers have started to design and sell their own collections, but there is still a lack of design capacity and related technical know-how. The **lack of fashion-design skills in SMEs** affects businesses' ability to come up with new creative clothing designs.

In Jordan, there are two governmental organizations that deal with textile manufacturing training and capacity building, **the GSC and the VTC**. The GSC has implemented many training courses on apparel design and provided the sector with designers who came up with modern and updated designs. These designers are producing their designs by the SMEs by their names, or they sell the design to the SMEs to produce it under the SMEs brand name. The VTC also provides training programs in the field of clothing design. However, both **GSC and VTC** suffer either from an **unstable financial and managerial situation** or from an **unsatisfactory training outcome** because fresh graduates from VTC need a lot of practical on-the-job training.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
The existence of the garment design centre as a base to enhance designs and technology in the sector. (O)	Support and enhance the capabilities of the VTC and GSC to build design capacities within Jordanian businesses and create new designers.	MITS, GSC, MOL/TVSDC	JCI, CBI, ITC, UNIDO, GIZ, ILO, VTC, MITS
Lack of design capacities. (W)			

3.4 Technological development such as ERP systems to decrease manufacturing costs.

The Amman Chamber of Industry (ACI) is implementing the **TEX-MED ALLIANCES** and **FOSTEX** projects. The former aims to reduce the innovation gap by implementing cross-border initiatives proposed by project partners or directly by SMEs. Jordan does not have any dedicated centre for research and development in the garment sector and the military forces that have their own garment laboratories do not provide their services to the private SMEs. FOSTEX aims to fill the gap in the area of specialized services for the textile sector by establishing two fully operational advanced textile innovation centres in Jordan.

Similarly, the **HCST “Innovation for bringing creativity to activate Traditional Sectors in MED area”** project aims to foster value chains and business alliances among MSMEs in Mediterranean textile, footwear and leather sectors in order to encourage the creation of new products and business growth, by building bridges between the traditional sectors and the creative industries (crafts, design, culture, etc).

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
ACI is implementing FOSTEX and TEX-MED ALLIANCES projects.	Enhance the eco system of the garment sector in Jordan and bring innovation to the sector.	HCST	JCI
The HCST “Innovation for bringing creativity to activate Traditional Sectors in MED area” project.			
Lack of finance program to support technology enhancements in the sector SMEs. (T)	Build financial support programs with low interest rate to enhance and/or upgrade the technology level within the sector (ERP systems, circular economy, laser cut machines).	MIT, JEDCO	JCI, ITC, UNIDO
Many SMEs do not use ERP systems to manage logistics and inventory control. (W)			

3.5 Independent quality testing centre for fabric quality and safety

Quality testing allows company, consumer groups and the government to make sure that textiles are safe and of good quality. SMEs conduct a visual inspection of the received raw material, but they do not test it; rather, they depend on test results provided by the supplier if required by the buyers. Jordan currently has no independent quality testing centre for fabrics to test for chemicals, but this will be required by international buyers. JSMO is currently in the process of preparing the Jordanian standards for garments compatible with best international practices. For example, intervening in the accreditation of testing laboratories. The existence of these standards will protect the local consumers and will help local manufacturers to increase the quality of their products to meet these standards.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Lack of fabric testing centres. (W)	Establish an Independent quality testing centre for fabrics to service the sector.	MIT/JSMO	RSS (Royal Scientific Society), UNIDO
JSMO is currently preparing the Jordanian “Technical regulation for the safety condition in the chemical composition in the textile products and statement label”. (O)			

3.6 Obtain international certifications to increase products' quality

Garment quality control is practiced ensuring that the garments and the fabrics will not be harmful, will be comfortable and will stay colourful for a long time. Legislative and non-legislative certifications / certification systems, standards, guidelines, and tools are used by companies throughout the value chain not only to manage risks within their own facilities and supply chains but also to differentiate themselves from their competitors. While the majority of SME garment business owners are keen on guaranteeing quality production, **they do not have any quality certificates, nor do they implement any quality systems, nor follow any structured system for quality monitoring and improvement. They do not assess the quality of the raw material**, as they conduct only a visual inspection, **nor do they have dedicated staff to control the quality of the final product.**

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Lack of awareness on the importance raw material inspection and quality control (W)	Increase SMEs awareness on the importance of quality and support efforts to meet quality and certifications requirements.	JEDCO, JE	JSMO, RSS, CBI, UNIDO, EBRD
Lack of compliance with international certifications (W)			

3.7 Build solid financial management knowledge within SMEs

More than 80 percent of SMEs have simple, manual financial bookkeeping to track financial transactions, whether procurement or sales. And though over 75 percent of SME owners/managers interviewed can read the financial statements prepared by either internal or external accountants, they do not use them to build long term financial strategic decisions.

Challenge	Intervention	Area of responsibility	Potential Supporters
Weak financial management knowledge especially among those related to production cost calculation.	Building financial management capacity, costing, and accounting skills within SMEs.	JEDCO	JCI, CBI, ITC, UNIDO

3.8 Technical assistance to increase efficiency and reduce high production costs

Apart from environmental costs such as energy, water and closed-border costs that fall on government's shoulders, which SMEs have no control over, Jordanian manufacturers face relatively high production costs. SMEs state that they do not monitor the production waste or set policies to eliminate or reduce that waste. In addition to the high costs of sourcing materials and labour costs, other negative issues for Jordan's manufacturers include lack of skilled or experienced labourers.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Production Efficiency is not optimal.	Technical assistance to SMEs on how to increase their efficiency (technology, lean processes, output of workers) and decrease cost.	JEDCO	JCI, CBI, ITC, UNIDO
SMEs encounter relatively high production costs.			

3.9 Attract and train Jordanian skilled and semi-skilled workers

Most Jordanians are well educated and tend not to work in manufacturing, and when they do, they engage only in supervisory roles, or else cutting, finishing and warehouse activities.²¹ Youth prefer to work in office jobs or do less tedious work, and therefore are not aware of the different positions, job opportunities and career path that this sector provides. Moreover, there is an ongoing struggle to hire **more women, who after marriage tend to withdraw from some types of work for traditional reasons**. This is the case even though many large factories are known to support working parents through childcare, which is not common practice for SMEs. Consequently, the sector fills its positions with migrant workers who come already skilled in the garment industry.²² Following the inflow of 660 000 United Nations registered refugees from the Syrian Arab Republic, the garment industry is now also looking to employ more Syrian refugees to meet skilled labour needs.²³

Several **vocational training institutes (VTIs)** train Jordanians in the field of textile and leather industries. They offer training programs at the basic working levels mainly on clothing design and tailoring. However, fresh graduates from VTIs are not skilled enough and require much practical and on-job training to be ready for the labour market, in addition to the fact that they lack the soft skills such as communication skills, commitment, and hard work. ILO stated that the education and training providers should review whether their training programs match the needs of the industry and collaborate with the private sector to ensure that graduates from these institutions have the necessary skills demanded by the industry.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Jordan youth are not motivated to work in the factories, which struggle to hire women. (W)	Implement country level awareness sessions on the importance and impact of working in the sector to encourage youth and women to work in the sector.	MOL/TVSDC	JCI, GIZ, USAID, ILO, VTC, UNIDO
No proper training curriculum to train youth based on SMEs needs, despite the existence of some training centres. (W)	Support the Technical Vocational Skills Development (TVSDC) Council to approve vocational training programs, in collaboration with the private sector, determining the skills needed for the sector .		
Lack of skilled and semi-skilled labour. (W)	Motivate Jordanian labour to take part in vocational training by providing them with specified benefits upon commitment to work a certain duration in sector SMEs; support the local SMEs in paying their workers by facilitating loans and financial support .		

3.10 Procurement clusters of SMEs to gain bargaining power over suppliers

In general, Jordan does not produce accessories and there is a limited number of fabric manufacturers (only six SMEs). Thus, fabrics and accessories including zippers, buttons, fasteners, robe, tags and others must be imported from different countries such as China, Türkiye, Pakistan, Italy, India, Taiwan Province of China, and Egypt, which increases the end-garment production cost. Another issue here is that the fabrics and the **accessory suppliers have more negotiation power than the garment manufacturer** as the latter buys relatively small quantities. The suppliers have the power to set the selling prices and determine payment and shipment terms.

²¹ "Value Chain Analysis Jordan Garments" (Center for the Promotion of Imports from Developing Countries, 2019)

²² "Value Chain Analysis Jordan Garments" (Center for the Promotion of Imports from Developing Countries, 2019)

²³ "Value Chain Analysis Jordan Garments" (Center for the Promotion of Imports from Developing Countries, 2019)

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
The fabrics and the accessories import cost increase the production cost. (W)	Encourage foreign and local investment in raw material and accessories production.	JIC	WB, USAID, JCI
	SMEs group together in one or more procurement cluster to strengthen their position over the suppliers.		

LOGISTICS

3.11 Raw material production to avoid import costs (transport and lead time)

Lack of raw materials manufacturers increases lead time. With limited fabrics and trims available in Jordan, the speed in the **supply chain is delayed by 30 to 60 days as raw materials must be ordered, produced, transported and imported** via the ports of Aqaba or Haifa (Israel) or trucked in and out at non negligible costs. It is estimated by manufacturers that **transporting goods by road can be about three times cheaper than exporting through the Gulf of Aqaba**. However, truck transport experienced serious challenges in the past due to Syrian and Iraqi borders' closures, and because transport times and costs were no longer competitive in the market. At this point in time,²⁴ costs for truck routes via the Syrian Arab Republic and Iraq are still relatively high as the loading-unloading process requires extra workers and trucks as well as more time. In addition, many transport companies charge 'high-risk fees' that increase the transportation costs of inbound or outbound goods from Jordan.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
The lead time is relatively high since Jordan does not manufacture raw material. (W)	Encourage foreign and local investment in raw material and accessories production.	JIC	WB, USAID, JCI
Cost of local transport is relatively high to different borders and ports. (W)			

MARKETING

3.12 Political stability and order size flexibility as main competitive advantages.

Jordan is a stable country in an insecure and unpredictable region. Jordan has maintained its political stability for a long time with respect to regional competitors (e.g. Türkiye) and this should be used as an opportunity to improve the Western image of Jordanian political stability.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Jordan enjoys political stability despite regional turmoil. (O)	Develop and promote the image of Jordan as politically stable, reliable, and flexible garment manufacturer.	JE, JIC	JCI, CBI, ITC, UNIDO, GIZ
Potential for flexible order sizes. (O)			

3.13 Free trade agreements and clustering opportunities to build export capabilities.

Most SMEs sell their products in the local market and **few local manufacturers have export activities**. These few SMEs export HS code 60 and 61 products mainly to the United Arab Emirates and HS code 62 products mainly to Libya. Jordanian SMEs should improve their production capacity and build know-how to export to be capable of exploiting the benefits of the free trade agreements.

²⁴ The study was carried out in 2020.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Dependence on domestic market and consequent lack of awareness of export process and know-how on export markets. (W)	Increase SMEs awareness of export process and pro-active mentality .	JE, JEDCO	JCI, CBI, UNIDO, GIZ
The lack of export experience ; Lack of know-how export markets. Low awareness of export process .	Increase know-how on export markets by provide companies with the needed information about the countries that Jordan has free-trade agreements with.		
Willingness to collaborate with other SMEs, i.e. clustering, collaborative selling. (O)	Forming cluster/s of SMEs with the aim of boosting the export capabilities of the local businesses in the garment sector.	JEDCO, JE	JCI, UNIDO, CBI, ITC

3.14 Enhance marketing skills of the SMEs

On one hand, only **50 percent of business owners/managers are adequately trained in marketing** and most SMEs do not have marketing strategies, nor marketing activities. In many cases SMEs are not even implementing marketing tools, and do not perform market studies or competitive analysis. **More than 80 percent** of the garment manufacturing SMEs have **never tried to study the markets properly nor tried to access the consulting companies** that provide business consulting and market information services. SMEs rarely access EBRD's funds designed to help them hire consulting companies.

On the other hand, there are many privately owned consulting companies in Jordan that provide market information services based on SMEs request and mainly funded by SMEs themselves.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Lack of SMEs knowledge to conduct market and competitive analyses , and consequent lack of clear marketing/export vision or strategy .	Build SMEs capacity to conduct domestic market research and assist companies with developing a clear domestic marketing vision and strategy.	JEDCO	JCI, CBI, ITC, UNIDO, GIZ, EBRD
	Build SMEs capacity to conduct international market research.	JE	JCI, CBI, ITC, UNIDO, GIZ, EBRD
	Provide market analysis and business intelligence reports accessible and reader friendly, easy to be adopted by SMEs.		

3.15 Digitalization to develop proper promotion tools.

A limited number of SMEs implement some marketing tools that include brochures, websites, social media marketing, or e-commerce. In addition, **SMEs are not exposed to global markets**, and only few participate in exhibitions and trade shows. Marketing costs are not even mentioned by SMEs. Regarding marketing channels, SMEs generally rely on physical shops, so they depend on the sales staff. Those SMEs who do the private labelling business-to-business (B2B) rely on past history with their clients or word of mouth to get new customers. During the COVID-19 pandemic, some companies were able to sell online mainly through social media such as Facebook and Instagram. About 20 percent of the interviewed companies reported an increase of on-line selling amounting to 30 to 40 percent.

An emerging trend is the increasing online presence and the use of big data analytics. Investors are more interested than ever in brands' digital performance; the key role of digitalization is evident as roughly half of all fashion buyers are influenced by bloggers and other online influencers, compared to 20 percent who are influenced by retail assistants. It is time that SMEs start to take advantage of **digitalization** to market, sell, and deliver their products, and even **use shelf platforms that analyse big data as a service**.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Shortage of marketing budget to develop marketing material.	Support SMEs to develop marketing material for domestic market.	JEDCO	JCI, CBI, ITC, UNIDO, GIZ
	Support SMEs to develop marketing material targeting international markets.	JE	JCI, CBI, ITC, UNIDO, GIZ
Few SMEs have online shopping platforms.	Building capacity of SMEs to successfully participate in exhibitions and tradeshows.	JE, JIC, JCI	EBRD, GIZ, UNIDO

3.16 Benefit from free trade agreements

Jordan benefits from free trade agreements with the EU and the United States of America, which many competitors do not have. The JUSFTA and relaxation of the RoO agreements allow for a duty exempted export to North America and the EU, although the latter still requires certain employment and sourcing targets. Furthermore, EU buyers are looking for new sourcing countries because in China the minimum wage is increasing, and environmental regulations are forcing factories to close. All these factors open opportunities for Jordanian SMEs to diversify their markets.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Availability of support from various local and international stakeholders; government, donors and funding agencies. (O)	Support SMEs to increase production capacity and enhance export capacity to benefit from free trade agreements.	JEDCO, JE	JCI, UNIDO, CBI, ITC
Jordan has a clear and significant regional advantage in terms of preferential trade arrangements. (O)			

3.17 Build a marketing strategy to expand in the EU and Gulf area

Jordan is not well known as garment producer in the global market. However, Jordanian SMEs have interesting market opportunities in GCC and EU countries, where they adopt a **focus differentiation strategy**. Given that SMEs cannot compete on price and cannot invest in a wide product portfolio since they are small and have limited resources, the focus should be on **niche market** (such as the local community in the GCC) and **limited product portfolio** (such as modern Islamic wear and workwear) that they can expand organically in the future.

Opportunity/challenge	Intervention	Area of responsibility	Potential Supporters
Existence of market opportunities in GCC and EU countries. (O)	Build a marketing strategy to target diversification in the EU in addition to penetration in the Gulf area.	JE	JCI, CBI, ITC, UNIDO, GIZ

3.18 Exploit sustainable fashion trends for products' value added

The entire world garment industry was set to grow by 5 percent in 2020, compared to 4.5 percent in 2019, and the average person buys 60 percent more clothes than they did 15 years ago. An important trend leading the market demand is the increasing focus on sustainable and organic production and on recycling and upcycling. The adoption of sustainable production methods and use of organic/fair trade raw materials could further increase the value added of the products. The high scarcity of water already triggers waterless or water efficient production/dyeing techniques. Consumers are more open to new manufacturers that adopt sustainable patterns. In summary, there are opportunities tied with sustainability. However, while Jordan is not a frontrunner in this field, it could invest to develop the related know-how.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
The demand on sustainable fashion is increasing, this can be an opportunity for Jordanian SMEs to focus on niche sustainable products. (O)	Build SMEs capacity and know-how towards sustainable fashion.	JEDCO, GSC	JCI, CBI, ITC, UNIDO, GIZ, JE

3.19 Develop a CRM system to satisfy customer requests and needs

Because buyers are closely linked to end-markets, SMEs should keep a closer relationship with them to get continuous feedback from the market for design and production. However, SMEs do not have a customer support system in place to properly manage customers’ requests, complaints and follow up and they lack a CRM system for the leads generated with **retailers/ importers**, in exhibitions, trade missions and for export deals.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Lack of Customer Relationship Management (CRM) system. (W)	Support SMEs to acquire CRM systems.	JEDCO, JE	EBRD

3.20 Large companies as a driving force for SMEs

Large companies, which are mainly FDI, are available to cooperate with SMEs to train them and enhance competitiveness by providing know how and technical training to increase their efficiency. They are willing to help them to comply with the market requirements and the ILO requirements to be able to export.

Large factories directly export the garment products to buyers. Below these factories in the supply chain there are several **subcontracting factories that produce goods for direct exporters** upon request. Parallel to this system, there are small **satellite units**, which operate outside of the industrial zones, and employ primarily Jordanians.²⁵ The Government of Jordan incentivizes satellite factories in an effort to bring jobs to rural areas: large companies have already established 21 small satellite companies²⁶ to reach their quota of Jordanian workers (65 percent)²⁷ and to increase local employment, in particular of women.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Large garment companies are willing to cooperate with SMEs. (O)	Initiate a Public-Private Dialogue including MITS, MOL, JGATE, and JCI to discuss the cooperation between the large and SMEs companies and create a win-win scenario to enhance the SMEs sector and the large companies.	JCI	MITS, MOL, JGATE, ILO

3.21 Use financial support from international donors and funding agencies

More than 60 percent of SMEs prefer self-financing for the growth of their business, rather than getting bank loans, and that is why some of them would prefer to postpone any business growth till they have the financial surplus to do so. Several SMEs claimed that they are hesitant in taking the risk of requesting a loan for capital investments because of fluctuating demand from their clients. Others indicated that they cannot access credit as they rent their buildings and cannot provide a collateral. On the other side, banks are reluctant to finance SMEs because of banks’ high-risk assessment of these companies and the high administrative costs incurred to process applications. **Many SMEs do not know about the different available financial resources** that can support their business whether grants or donors.

Opportunity/ challenge	Intervention	Area of responsibility	Potential Supporters
Willingness of various international donors and funding agencies to support the growth and development of the sector. (O)	Awareness session on available technical assistance and business support service providers and providing financial support to benefit from these services.	JEDCO	JCI

²⁵ " Annual Report 2021: An Industry and Compliance Review -Better Work Jordan" (Better Work, 2021)

²⁶ "Independent Interim evaluation – Better Work Phase III in Jordan" (ILO, 2021)

²⁷ "Value Chain Analysis Jordan Garments" (Center for the Promotion of Imports from Developing Countries, 2019)



「04 HOW CAN
INSTITUTIONAL
ACTORS ENGAGE?」



The following table recommends the responsibilities that the different stakeholders can undertake to enhance market-based women and youth employment in the garment and fashion value chain of Jordan.

	Intervention	Area of responsibility	Potential supporter
3.1	Support SMEs to acquire modern storage facilities and technologies.	JEDCO	JCI, UNIDO, EBRD
3.2	Support SMEs to acquire modern computer aided design software and upgrade their skills to be able to use it.	JEDCO	JCI, UNIDO, EBRD
3.3	Support and enhance the capabilities of the VTC and GSC to build the design capacities within Jordanian businesses and create new designers.	MITs, GSC, MOL/TVSDC	JCI, CBI, ITC, UNIDO, GIZ, ILO, VTC, MITs
3.4	Enhance the ecosystem of the garment sector in Jordan and bring innovation into the sector.	HCST	JCI
	Build financial support programs with a low interest rate to enhance and/or upgrade the technology level within the sector (ERP system, circular economy, laser cut machines).	MITs, JEDCO	JCI, ITC, UNIDO
3.5	Establish an independent quality testing centre for fabrics to service the sector.	MITs/JSMO	RSS, UNIDO
3.6	Increase SMEs awareness on the importance of quality and support them to meet quality and certifications requirements.	JEDCO, JE	JSMO, RSS, CBI, UNIDO, EBRD
3.7	Building financial management capacity, costing and accounting skills within SMEs.	JEDCO	JCI, CBI, ITC, UNIDO
3.8	Technical assistance to SMEs on how to increase their efficiency (technology, lean processes, output of workers) and decrease cost.	JEDCO	JCI, CBI, ITC, UNIDO
3.9	Implement country level awareness sessions on the importance and impact of working in the sector to encourage youth and women to work in the sector.	MOL/TVSDC	JCI, GIZ, USAID, ILO, VTC, UNIDO
	Support the Technical Vocational Skills Development (TVSDC) Council to approve vocational training programs, in collaboration with the private sector, determining the skills needed for the sector.		
	Motivate Jordanian labour to take part in vocational training by providing them with specified benefits upon commitment to work a certain duration in sector SMEs; support the local SMEs in paying their workers by facilitating loans and financial support.		
3.10	Encourage foreign and local investment in raw material and accessories production. SMEs might group together in one or more procurement cluster to strengthen their position over the suppliers	JIC	WB, USAID, JCI
3.11	Encourage foreign and local investment in raw material and accessories production.	JIC	WB, USAID, JCI
3.12	Develop and promote the image of Jordan as a politically stable, reliable and flexible garment manufacturer.	JE, JIC	JCI, CBI, ITC, UNIDO, GIZ
3.13	Increase SMEs awareness of export process and pro-active mentality.	JE, JEDCO	JCI, CBI, UNIDO, GIZ
	Increase know-how on export markets by providing companies with the needed information about the countries that Jordan has FTAs with.		
	Form cluster/s of SMEs with the aim of boosting the export capabilities of local businesses in the garment sector.	JEDCO, JE	JCI, UNIDO, CBI, ITC

	Intervention	Area of responsibility	Potential supporter
3.14	Build SMEs capacity to conduct domestic market research and assist companies with developing a clear domestic marketing vision and strategy.	JEDCO	JCI, CBI, ITC, UNIDO, GIZ, EBRD
	Build SMEs capacity to conduct international market research. Provide market analysis and intelligence reports accessible and reader friendly, easy to be adopted by SMEs.	JE	JCI, CBI, ITC, UNIDO, GIZ, EBRD
3.15	Support SMEs to develop marketing materials for the domestic market.	JEDCO	JCI, CBI, ITC, UNIDO, GIZ
	Support SMEs to develop marketing materials targeting international markets.	JE	JCI, CBI, ITC, UNIDO, GIZ
	Building the capacity of SMEs to successfully participate in exhibitions and tradeshows.	JE, JIC, JCI	EBRD, GIZ, UNIDO
3.16	Support SMEs to increase production capacity and enhance export capacity to benefit from free trade agreements.	JEDCO, JE	JCI, UNIDO, CBI, ITC
3.17	Build a marketing strategy to target diversification in EU in addition to penetration in the Gulf area.	JE	JCI, CBI, ITC, UNIDO, GIZ
3.18	Build SMEs capacity and know-how towards sustainable fashion.	JEDCO, GSC	JCI, CBI, ITC, UNIDO, GIZ, JE
3.19	Support SMEs to acquire CRM systems.	JEDCO, JE	EBRD
3.20	Initiate a Public-Private Dialogue including MITS, MOL, JGATE, and JCI to discuss the cooperation between the large and SMEs companies and create a win-win scenario to enhance the SMEs sector and the large companies.	JCI	MITS, MOL, JGATE, ILO
3.21	Awareness session on available technical assistance and business support service providers and provide financial support to benefit from these services.	JEDCO	JCI

Abbreviations

Abbreviation	Description
AICS	Italian Agency for Development Cooperation
BW	better work
CBI	Centre for the Promotion of Imports from developing countries of the Netherlands
CMT	cut make and trim
CRM	customer relationship management
CSR	corporate social responsibility
EBRD	European Bank for Reconstruction and Development
ERP	Enterprise Resource Planning
EU	European Union
FDI	foreign direct investment
FOSTEX	Fostering innovation in the Jordan and Moroccan textile industry project
GCC	Gulf Cooperation Council
GIZ	German Corporation for International Cooperation
GSC	Garment Design & Training Services Centre
HCST	Higher Council for Science and Technology
ILO	International Labour Organization
ITC	International Trade Center
JCI	Jordan Chamber of Industry
JE	Jordan Exports
JEDCO	Jordan Enterprise Development Corporation
JIC	Jordan Investment Commission
JGATE	Jordanian Garments, Accessories & Textile Exporters' Association
JSMO	Jordan Standards and Metrology Organization
JUSFTA	Jordan – U.S. Free Trade Agreement
MED	Mediterranean
MOL	Ministry of Labour
MOQ	minimum order quantity
MSMEs	micro-, small and medium-sized enterprises
MITS	Ministry of Industry Trade and Supply
NGOs	non-governmental organizations
RoO	relaxed rules of origin
RSS	Royal Scientific Society
R&D	Research and Development
SMEs	small and medium-sized enterprises
TEX-MED ALLIANCES	Textile Mediterranean Alliances for Business Development, Internationalization and Innovation
TVSDC	Technical and Vocational Skills Development Commission
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VC	value chain
VCA	value chain analysis
VTC	Vocational Training Cooperation
VTI	Vocational Training Institute
WB	World Bank

