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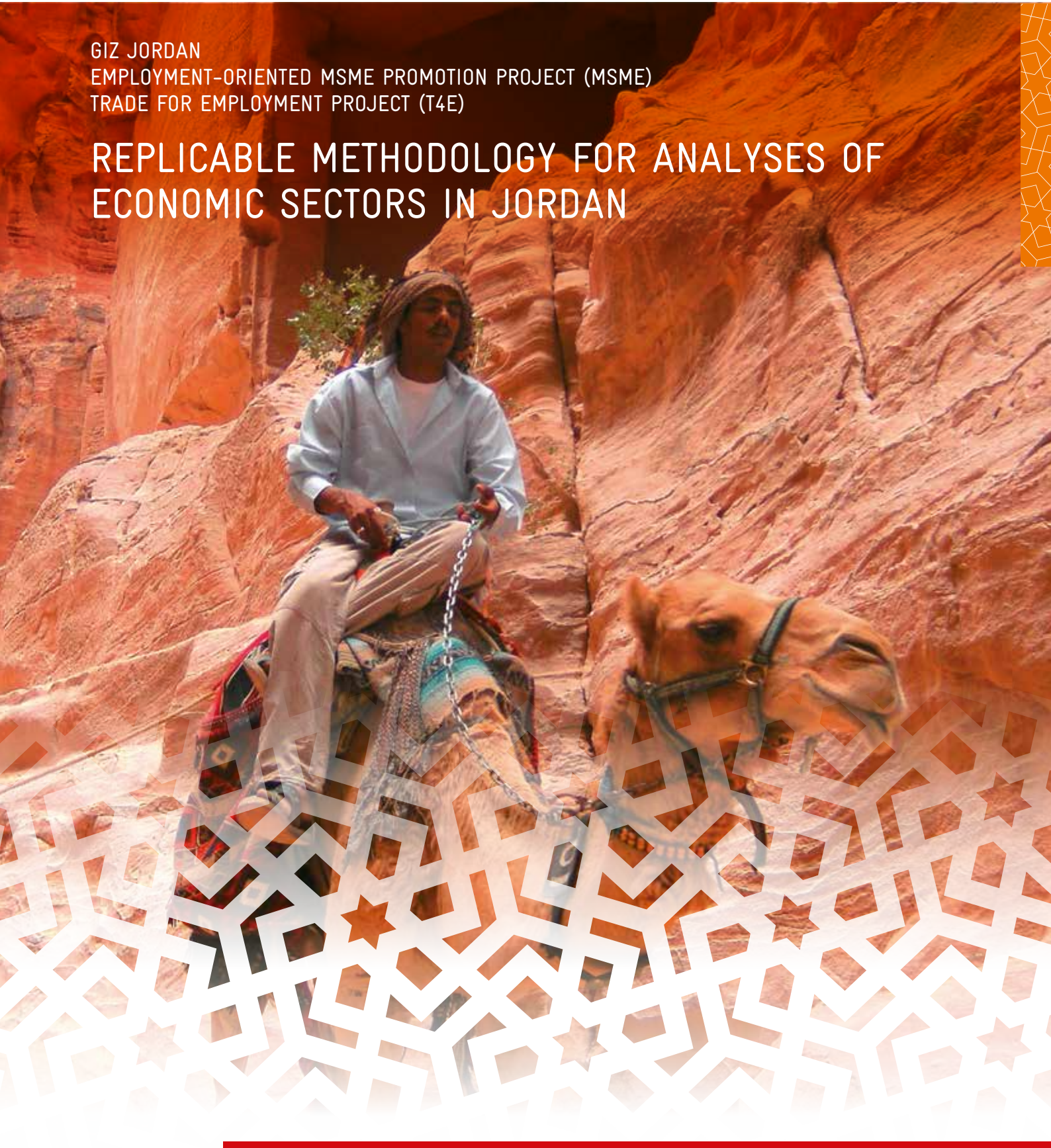
Kingdom of the Netherlands



MINISTRY OF INDUSTRY,  
TRADE AND SUPPLY  
THE HASHEMITE KINGDOM OF JORDAN

GIZ JORDAN  
EMPLOYMENT-ORIENTED MSME PROMOTION PROJECT (MSME)  
TRADE FOR EMPLOYMENT PROJECT (T4E)

# REPLICABLE METHODOLOGY FOR ANALYSES OF ECONOMIC SECTORS IN JORDAN



## ABOUT THIS BOOKLET

The replicable methodology for the analyses of economic sectors in Jordan has been developed by the projects “Employment-oriented MSME Promotion” and “Trade for Employment”. The projects are implemented by GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and other co-financing donors (the Governments of the Netherlands and the UK) in partnership with the Jordanian Ministry of Industry, Trade and Supply.

GIZ commissioned ICON-INSTITUT GmbH and Arabian Business Consultants for Development to develop the replicable methodology for sector analyses in Jordan.



## INTRODUCTION

This document outlines a replicable methodology for analyses of economic sectors in Jordan, focusing on the role and development potential of micro, small and medium enterprises (MSMEs).

Sector analyses in any country will vary in terms of the information collected and the means employed to collect and assess data. Although processes might differ, however, there are some generic stages that can be replicated in different sectors. In any case, a participatory approach is highly recommended and could be critical to achieving solid outputs. Stakeholders are the true experts of any sector: they hold the key to collecting sound data and to developing effective strategies for sectorial improvement.

Sector stakeholders such as chambers or associations, and/or other sources, can provide critical prior knowledge and expertise, particularly in regard to the macro-economic and research methodology skills required for a sector analysis. It is, therefore, imperative to involve stakeholders throughout the entire study process.

Commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ), the GIZ projects “Employment-oriented MSME Promotion” (GIZ MSME) and “Trade for Employment” (GIZ T4E) supported the development of this tool as part of their support to the projects’ stakeholders.

The GIZ MSME project aims to support Jordanian MSMEs in line with national strategies by focusing on food processing, information and communication technology (ICT) and tourism as sectors with considerable growth and employment potential. The project supports the implementation of sectoral and market strategies to boost the prospects of MSMEs and the sectors altogether. More specifically, the project aims at improving enterprise competitiveness, enhancing competences within MSMEs and improving the business and investment climate in the selected sectors.

The GIZ T4E project focuses on building capacities and strengthening structures in a sustainable manner to enhance the conditions of Jordanian companies to increase their trade performance for employment. It assists the private sector with shaping general conditions conducive to trade by developing negotiating capacities of chambers of commerce and trade associations and institutionalising dialogue with the government. It also seeks to improve availability and quality of demand-driven trade-related services alongside identifying existing barriers to trade, developing action plans for facilitating export procedures and reducing trade costs, in line with the World Trade Organization’s Trade Facilitation.



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## STAGE 1 – PREPARING THE SECTOR ANALYSIS

Before starting the analysis, the scope of the economic sector to be addressed should be clearly determined. It is recommended to use the “International Standard Industrial Classification of all Economic Activities” (ISIC Rev. 4) to identify the economic activities that fall under the sector. ISIC is useful for defining both sectors and sub-sectors. It ensures consistent classification as well as allowing for international benchmarking. It is necessary to look at the main sources of GDP in the country and agree what categories they belong in. For example, “healthcare” would belong in ISIC Division 86 “Human health activities”, which is a sub-sector of “Human Health and Social Work Activities”.

### STEP 1.1 SETTING THE OBJECTIVE OF THE SECTOR ANALYSIS

The first step of any analysis is to formulate a clear objective. Key questions are: “Why are we doing this analysis?”; “Which MSMEs are we targeting (e.g. export-ready, informal, start-ups)?”; “What do we want to achieve?”.

The objective of a sector analysis will be based around gathering information in order to develop a sector strategy through:

- ▶ Understanding the sector’s opportunities and constraints; and
- ▶ Identifying sub-sectors that show potential for intended outcomes, such as growth and employment creation.



#### Workshop 1:

Stakeholders should participate in setting the objective of the sector analysis and suggest data sources and collection methods.

### STEP 1.2 DEFINING DATA NEEDS AND COLLECTION METHODS

The next step is to agree on the information to be gathered. This is done by defining research questions, that is, the overall questions to be answered in order to complete the sector analysis. Research questions are based on the objective and could include, but are not limited to:

- ▶ What are the key economic characteristics of the sector?
- ▶ What is the competitive position of the sector in the global context?
- ▶ What sub-sectors have the greatest potential for MSME growth and job creation?
- ▶ How can the sector maximise opportunities and overcome constraints?

The data collection methods applied to answer these questions will likely involve both primary and secondary research.

#### SECONDARY RESEARCH

Secondary research means analysing research that was conducted for another analysis or study, not necessarily connected to the present one. This means accessing existing policy documents, studies, publications and online resources to gather information relevant to the analysis. Otherwise known as “desk research”, this can be a very informative and efficient way to begin answering the research questions.

#### PRIMARY RESEARCH

When possibilities for desk research have been exhausted and the sources have been checked for relevance (e.g. often secondary sources are outdated) and integrity, the analysts outline what information still needs to be gathered and/or verified. This will need to be collected directly through primary research. The methods will depend on the stakeholders, the nature of the information needed and the costs involved. Some of the methods that might be employed are:

- ▶ Key Informant Interviews (KIIs): In-depth interviews with stakeholders who can provide insight on the topics.

- ▶ Focus group discussions: These are often relevant for verifying information or allowing a group to brainstorm ideas.
- ▶ Questionnaires/surveys: These can be useful where quantitative information is required or where a stakeholder is outside the country but agrees to answer questions by email.

Data will generally be collected from stakeholders from both the public and private sectors in addition to educational institutions and NGOs. A key purpose of primary research during data collection is the engagement of stakeholders during the process; thus, it increases ownership, buy-in and commitment to building on the results and taking up suggestions from the analysis.

Data analysis should commence when the data collected is sufficient to enable the development and design of practical interventions that can help to improve the competitive performance of the sector under review.

**Stakeholders Mapping:**

During any analysis, two of the first questions to address are: “Who should be involved to ensure buy-in amongst key stakeholders for implementation?” and “Who will respond to our questions?”. Knowing who the stakeholders are will assist in the design of the analysis because methods can be tailored to the needs of sector actors.

At this stage, an initial stakeholder map should be drawn up identifying the primary, secondary and key stakeholders in the sector. Note that this is an *iterative process* and during the analysis, the stakeholder map should be improved. At the sub-sector analysis stage, it may also make sense to draw stakeholder maps.

→ **Tip:** Use the opportunity at stakeholder workshops to verify or expand stakeholder maps.

## STAGE 2 – DEVELOPING THE SECTOR PROFILE FROM AN MSME STANDPOINT

The data analysis should allow for an overall profile of the sector to be outlined. The sector profile should provide an understanding of the sector from an MSME standpoint, its key products and markets, market trends and position in the global economy.

### STEP 2.1 DESCRIBING SECTOR CHARACTERISTICS FOCUSING ON MSMEs

During data collection, the following sector profile information should be collected:

- ▶ Sector structure: Activities, processes, stakeholders, linkages, products, percentage of MSMEs, etc.
- ▶ GDP contribution and exports: Status and trends regarding the contribution of the sector to national GDP and exports, including the share related to contribution of MSMEs
- ▶ Employment: Status and trends regarding employment within the sector from an MSME standpoint
- ▶ Employees: Role of different groups of employees

within the sector and sub-sectors (management, operational, technical, administrative, marketing and commercial)

- ▶ Markets and trends: Main domestic, regional and international markets and trends, with focus on MSMEs
- ▶ Legal, institutional and policy context: Overview of policy and institutional constraints, relevant rules and regulations and the sector’s business enabling environment, and how they affect MSMEs
- ▶ Information resources and services: Availability of information and services relevant to the sector, particularly for MSMEs
- ▶ Support environment: Current support by policy makers and other development partners / projects
- ▶ Social and environmental context: Social and environmental issues related to the sector.

The topics above correspond to the areas that will be covered in a later description of the sector. At this step, we focus on the data collection.



## STEP 2.2 IDENTIFYING KEY PRODUCTS, SERVICES AND MARKET SEGMENTS

The objective of this step is to identify key products and /or services as well as market segments of the sector and to get a better overview of the customer relationships, answering the question “Who is buying what?”. This is done through:

- ▶ Identification of key products and /or services of the sector
- ▶ Identification of current products and /or services and market segments
- ▶ Identification of potential products and /or services and market segments.

This data should be collected through the primary and secondary research methods outlined as part of Stage 1. Information on targeted products /services and markets can be gathered from industry experts, business chambers and associations, existing studies and international resources (see Annex 1 for a list of key resources).

## STEP 2.3 CONDUCTING A MARKET TREND ANALYSIS

A market trend analysis will quantify trends that are critical to the development of the sector, particularly of the MSMEs. The point of the exercise is to identify the overall sector potential and help determine the regional and global competitiveness of the sector from an MSME standpoint. The analysis should identify market segments with potential for MSME growth and assess and anticipate the performance of regional and global markets in terms of product, price, volume and market share.

Data can be gathered from existing studies, government resources, the International Trade Centre’s [trademap.org](http://trademap.org), primary sources, industry experts and other sources.

### **Data to be captured during a market trend analysis** (see Annex 2 for full table):

- (A) Global market
- (B) Global industry and trade structure
- (C) Global regulatory and policy environment in which the sector competes
- (D) Critical success factors for the industry
- (E) Future forecasts and estimates

## STEP 2.4 PROVIDING A GAP ANALYSIS

The market trend analysis will outline the global context; the next question is then: “Where does Jordan’s sector sit within this global context?”. More specifically: “What are the gaps between the sector’s current performance and where it needs to be to compete regionally and internationally?”. We call the exercise to answer this question a “gap analysis”.

The gaps will be identified by comparing industry information on MSMEs in Jordan with global benchmarks. The ease of completion of this exercise is dependent on whether global benchmarks have already been defined. For a comparison, the following types of information will need to be gathered through secondary and primary sources pertaining to the Jordanian and international contexts:

- ▶ Product-related information: Sales volume / quality / packaging / research and development capacity / distribution channels / final markets.
- ▶ Sector-related information: Firms / industry / international and regional competition.



## STAGE 3 – ZOOMING IN AT A SUB-SECTOR LEVEL

Sub-sectors are economic activities / specific product groups within the sector. For example, the tourism sector can be divided into “accommodation”, “transport” and “site management” activities or into the “medical tourism”, “leisure tourism” and “religious tourism” product groups, among others. Sub-sectors can be classified according to ISIC but classification should be in line with national clustering methods. Based on the methodology outlined as part of Stage 1, data will be collected on sub-sectors to understand the main drivers of growth and potential.

### STEP 3.1 CREATING SUB-SECTOR OVERVIEWS

Analysis of sub-sectors should seek information on MSME characteristics including:

- ▶ Number and classification of firms and employees
- ▶ Geographic distribution of firms
- ▶ Description of products
- ▶ Services and business models
- ▶ Distribution channels
- ▶ Profit margins
- ▶ Quality assurance and certifications
- ▶ Competitive performance and trends
- ▶ Private sector’s role, challenges and opportunities within the sub-sector.

When this information has been gathered, it will be possible to analyse the competitive situation of MSMEs within the sector.

### STEP 3.2 DEFINING THE COMPETITIVE POSITION OF THE SUB-SECTORS

In order to understand the economic potential of a sub-sector, it is important to look at how it sits within the business environment and relative to its competitors<sup>1</sup>. A sub-sector’s competitiveness nationally and globally is an important indicator of domestic and international growth potential and can help identify the way forward to achieve the desired outcomes.

The two tools for competitive analysis are summarised here; further details are included in Annexes 3, 4 and 5. Analysts can choose to use one or both tools.

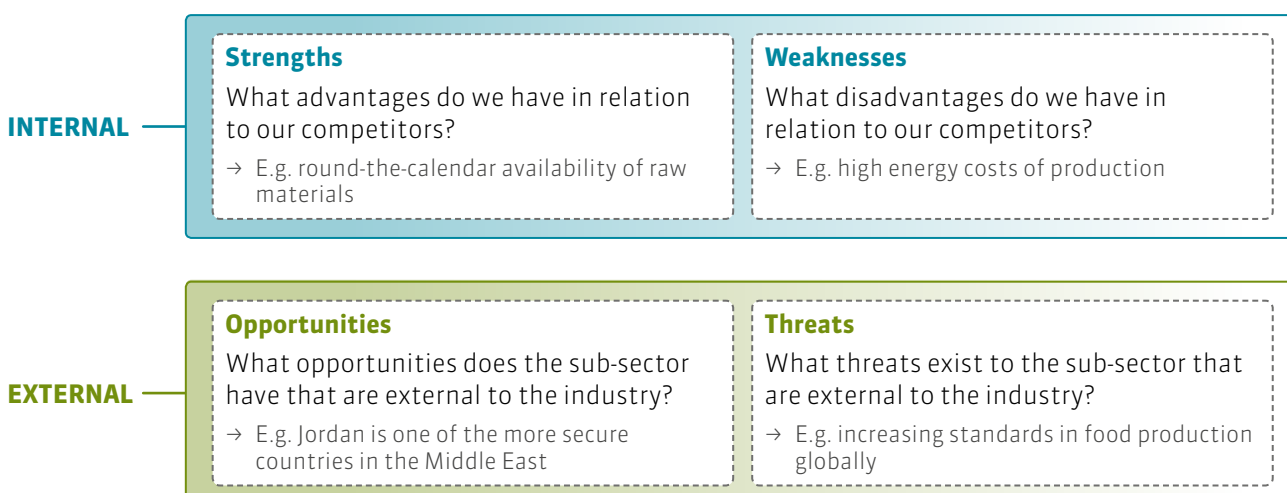
#### STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS (SWOT) ANALYSIS

The role of a SWOT analysis is to clarify the perceived state of the sub-sector relative to its competitors and the business environment it is operating in. SWOT analyses are a useful starting point for strategy development in considering what needs to be done for the sub-sector or sector as a whole to become or remain competitive.

To use this tool, fill in the boxes of the SWOT matrix, remembering that strengths and weaknesses are internal to and under the control of the sector. They are relative to competitors – probably, similar sub-sectors in other countries. Opportunities and threats are aspects that are not under the control of the sub-sector.

<sup>1</sup> A sub-sector’s direct competitors include the same sub-sector in other countries but potentially also other sectors or sub-sectors in the same national economy

Fig. 1 SWOT Template of Questions



In order to carry out an analysis of the competitive attributes of key sub-sector products, the results of market trend analysis conducted at sector level must be taken into consideration.

#### PRODUCT SCOPE AND DIFFERENTIATION ANALYSIS AND COST BENCHMARKING

The product scope analysis helps determine product position in terms of complexity, variety and value addition. The cost benchmarking element allows key areas for improvement to be structured and prioritised, and is helpful in setting quantifiable and achievable goals.

The key elements of the Product Scope and Differentiation Analysis (see Annex 4 for details) are:

- i. Assess and benchmark size and share of market,
- ii. Assess and benchmark product scope, and
- iii. Assess and benchmark product differentiation.

The Cost Benchmarking Analysis (see Annex 5 for more details) has two elements:

- i. Analysis of internal costs and
- ii. Analysis of external costs.

## STAGE 4 – IDENTIFYING AND ANALYSING PRIORITY SUB-SECTORS

When the sub-sectors have been defined, stakeholders may work together to prioritise those on which their strategy will focus. The identification of prioritised sub-sectors should be realised according to defined criteria that are in line with national strategies and/or global development goals. Prioritisation of sub-sectors is important to identify those economic value chains with highest potential for development at the micro level.



#### Workshop 2:

Stakeholders validate the findings of Stages 2 and 3 and participate in setting criteria for the identification of priority sub-sectors (Stage 4).

### STEP 4.1 DEFINING CRITERIA TO PRIORITISE SUB-SECTORS

Criteria should be defined to ensure the prioritisation of sub-sectors is transparent, thorough and systematic. The criteria should be in line with the overall objective of the sector analysis, i.e. supporting MSME growth. Normally, economic, environmental, social and institutional criteria are defined and attributed different weightings. Examples of possible criteria could be:

- ▶ Market prospects, growth, export and competitiveness – 35%
- ▶ Employment potential – 35%
- ▶ Gender and inclusion considerations – 10%
- ▶ Innovation ability, value addition – 20%.

A weighting system allows emphasis on certain criteria in line with the objectives of the sector analysis.

### STEP 4.2 PRIORITISING SUB-SECTORS

When the prioritisation criteria have been defined, the sub-sectors should be plotted in a matrix against the individual criteria and a scoring system outlined. When the scores have been totalled, stakeholders should discuss the prioritisation and verify the findings. A quick prioritisation exercise could also be done during a workshop, when criteria have been defined. Based on the scores, a consensus on the priority sub-sectors should be achieved among the stakeholders.

### STEP 4.3 MAPPING AND ANALYSING VALUE CHAINS OF THE PRIORITISED SUB-SECTORS

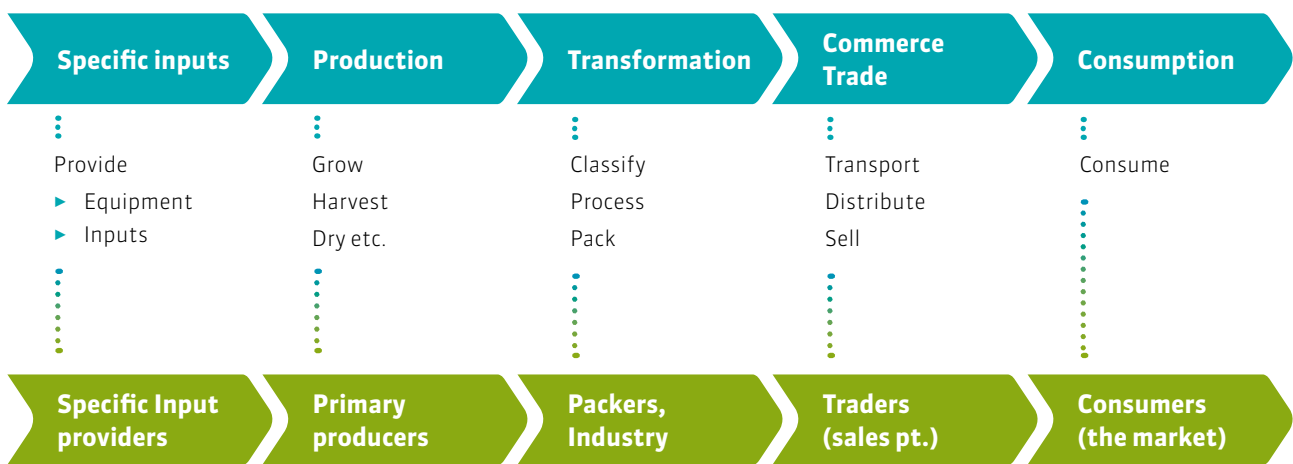
When priority sub-sectors or value chains have been selected, it is time for an in-depth analysis of each sub-sector. Value Chain Analysis will allow stakeholders to understand the sub-sectors, their opportunities and constraints and points of intervention at the micro level (e.g. the level of MSMEs and direct beneficiaries), the meso level (the level of institutions providing services to actors on the micro level) and the macro level (relating to the political and governmental framework).

A Value Chain Analysis is conducted in two stages:

- i. When the necessary data has been collected, the value chain map is used to visualise the steps (functions) involved in value addition along the chain and all involved stakeholders (operators). The value chain is then quantified and opportunities (including market access opportunities) and constraints at the different stages are outlined.

- ii. Informed by the above, a value chain proposal is developed, which makes recommendations for value chain upgrading and promotion. Value chain upgrading refers to micro-level interventions by operators to add value in the sub-sector, while value chain promotion means activities by meso- and macro-level stakeholders to facilitate improved functioning of the sub-sector (see Annex 6 for Value Chain Data Capture table).

Fig.2 Generic Elements of a Basic Value Chain Map



Categories of actors in value chains and their relations

Source: ValueLinks 2.0. Manual on Sustainable Value Chain Development (2018): <http://valuelinks.org/wp-content/uploads/2015/09/ValueLinks-Manual-2.0-Vol-1-January-2018.pdf>

## STEP 4.4 CONDUCTING MARKET ACCESS ANALYSIS OF THE PRIORITISED SUB-SECTORS

A key element of Value Chain Analysis is Market Access Analysis. Thus, the value chain approach looks first at the consumer of the product or service and works back from there to see how the product/service accesses markets. Although Market Access Analysis is part of the Value Chain Analysis tool, it is worth noting as a separate step to ensure the opportunities and challenges for accessing markets are identified.



## STAGE 5 – DEVELOPING A SECTOR STRATEGY TARGETING MSMES

When Stages 1 to 4 have been completed, it will now be possible to elaborate a sector strategy. This involves summarising the overall context of the sector, defining sector objectives and suggesting interventions targeting MSMEs.

### STEP 5.1 SUMMARISING SECTOR INSIGHTS IN CONTEXT ANALYSIS

For any strategy development, one must first understand the context. Stages 1 to 4 involve in-depth data collection and analysis providing sufficient information for an overall context analysis. Using Porter's Five Forces theory, the context in which the sector sits can be defined. The questions in the Data Capture table (see Annex 7) can be answered using information gathered previously.

The objective of this analysis is to ascertain sectoral strategic efficiency and determine the long- and short-term implications of competing in a certain product and market segment. This approach provides means to evaluate potential profitability of an industry and develop a clear understanding of the attractiveness of a sector in selected products / market segments.

Figure 3: Porter's Five Forces Model



Source: Porter, Michael E. (1980): Competitive Strategy: Techniques for Analyzing Industries and Competitors. New York: Free Press.

### STEP 5.2 IDENTIFYING STRATEGIC OBJECTIVES

Based on the overall sector analysis and identification of sub-sector priorities, objectives must be defined to address the question "What does the sector want to achieve?". A possible answer could be "Exports should be increased by 20% within the next 5 years". The sector objectives should be in line with the country's medium- and long-term vision and economic goals; ideally, they should be plotted as part of a results chain or logical framework.

#### Workshop 3

At this point, stakeholders should meet to review the sub-sector analysis, agree on the overall objectives and validate suggested sector interventions.



### STEP 5.3 SUGGESTING ADEQUATE INTERVENTIONS

Based on the results of the above steps, recommendations should be made on what interventions are needed at the micro, meso and macro levels in order to achieve the sector objective/s.

The identified interventions and selected recommendations may be organised into short-, medium- and long-term interventions and grouped by stakeholder group/institutional responsibility. These interventions form the activities and outputs of the logical framework.

When all of the above stages have been completed, the sector will have gleaned a clear way forward, namely an action-oriented strategy for implementation. The following step, then, will be to elaborate a detailed Sector Strategic Plan (see Annex 8 for layout). This plan should outline all interventions to be undertaken along with a plan of activities in each case, addressing the questions of who does what, until when and with what resources.

# ANNEX

## ANNEX 1: KEY RESOURCES

### Main international resources

International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD) and World Trade Organization (WTO) (Global Trade Helpdesk: the MSME gateway to trade)

European Union (Trade Helpdesk)

World Trade Organization (Preferential Trade Arrangements)

World Bank (Temporary Trade Barriers Database).

### Main national resources

Jordan Department of Statistics (e.g. Jordan Establishment Census)

Ministry of Industry, Trade and Supply (MoITS)

Central Bank of Jordan

Chambers of Commerce and Industry (e.g. Jordan Chambers and Governorates' Chambers)

ValueLinks Manual: The Methodology of Value Chain Promotion (GIZ, 2008)

Sector associations and other sector business support organisations

Institutions related to private sector and trade promotion (e.g. Jordan Enterprise Development Corporation (JEDCO), Jordan Investment Commission (JIC))

Donor organisations, development agencies and relevant projects (e.g. USAID, DFID, GIZ, EU, ILO).

## ANNEX 2: MARKET TREND ANALYSIS: DATA CAPTURE TABLE

### A) Data on global market (refer to data available from the last couple of years)

What is the total volume and the value of the world market in revenue?

What is the total volume and value of world exports and imports?

What is the rate of growth of the industry (or projected rate of growth to assess potential)?

What is the total employment in the industry worldwide?

Which are the leading countries in the global arena? What are their market shares and how have these changed over a time period (to assess growth)?

How does the sector perform in the global market with regard to revenue, trade and market share?

Who are the regional leaders? Where does the country of production stand regionally and globally?

### (B) Structure of global industry and trade

How is the industry structured globally? What are the different product segments in the industry?

What does the value chain look like?

What are revenues and exports / What are the growth rates for each of these segments?

Pricing – What are the major pricing determinants in the world market? Is it supply- or demand-driven? Is the price volatile? How does elasticity of demand affect prices in the industry?

Cost structure – What are the different costing models being used in the industry globally?

Technical analysis – What is the role of technology in production? How is it changing? Does being on the cutting edge of technology make a difference to competitiveness?

- ▶ What, if any, are the trends in production technology?
- ▶ Does R&D make a difference to the competitiveness of the industry? If yes, how much is spent on R&D globally? How is this expenditure split between the private and public sector?
- ▶ What is the level of patenting in the industry?
- ▶ What sort of organic and targeted innovation is happening to create niche specialty segments that could add value to the product?

**Financial analysis** – What are the global expenditures in this industry by private and public sectors?  
 ▶ What is the nature of financing in the industry? Is it loan-, equity- or venture capital-intensive?  
 ▶ What are the industry’s FDI flows globally?

**Nature of the labour cost** – Are labour force quality and size important?  
 ▶ What are the emerging trends to ensure the supply of this labour force quality?  
 ▶ What can be seen among the leading countries?

**(C) Global environment in which the sector competes**

What are the current rules and regulations affecting the global industry? Do global standards need to be met?  
 How are these evolving?

What are the trends in public and private sector roles among successful countries?

What is the nature of complementary industries? How are they performing globally?  
 ▶ Is the sector strength growing?  
 ▶ Are threats to the sector developing?

**(D) Critical success factors**

What are the critical success factors for firms and countries to compete in the industry?  
 Do the market leaders use unique selling propositions / models to compete?

**(E) Future forecasts and estimates**

What are the global growth projections for the industry?

What are the estimates for revenue, export and market share?

Where does anticipated demand lie?

What does the future structure of the industry look like? Will the value chain and / or the delivery method for the product change?

## ANNEX 3: SWOT ANALYSIS TOOL

The box below provides indicative questions which could be used:

<b>INTERNAL</b>	<p><b>Strengths</b>                  What advantages do we have in relation to our competitors?                  ▶ What are our strengths in the supply chain?                  ▶ What are our human resources strengths?                  ▶ What are our locational advantages?                  ▶ What are our climatic advantages?                  ▶ What are our cost advantages?                  ▶ What are our distribution network strengths?                  ▶ What other unique resources do we have?                  ▶ How are we capitalising on these assets?                  ▶ What are our strengths regarding public policies and institutions?</p>	<p><b>Weaknesses</b>                  What disadvantages do we have in relation to our competitors?                  ▶ What are our marketing weaknesses?                  ▶ What are our distribution weaknesses?                  ▶ What are our production weaknesses?                  ▶ What are our input weaknesses?                  ▶ Do we have adequate financing and is this critical?                  ▶ How capable is the industry of working together?                  ▶ What are the key policy bottlenecks for the industry, business environment and infrastructure?                  ▶ How effective are the public institutions supporting or regulating the industry?                  ▶ What other weaknesses plague the industry?</p>
	<p><b>Opportunities</b>                  What opportunities does the sub-sector have that are external to the industry?                  ▶ What are the drivers of growth of the industry?                  ▶ What are potential niche products or markets?                  ▶ Are there unrealised value-adding opportunities?                  ▶ Are there new market access opportunities nationally or internationally?                  ▶ What institutions (e.g. embassies, chambers, associations) can help access foreign markets?                  ▶ What key trends (market, trade and industrial policy) are building new opportunities?</p>	<p><b>Threats</b>                  What threats to the sub-sector exist that are external to the industry?                  ▶ What can go wrong?                  ▶ What obstacles do we face?                  ▶ What is the competition doing?                  ▶ Are quality standards or specifications for our industry, products and services changing?                  ▶ Are we meeting international labour standards?                  ▶ Are we meeting international quality and consumer safety standards?                  ▶ Is changing technology threatening our position?                  ▶ What are the major domestic trends today that could threaten our position?                  ▶ What are the global trends today that could threaten our position?                  ▶ Are there possible substitute products that could displace us?</p>
<b>EXTERNAL</b>		



## ANNEX 4: PRODUCT SCOPE AND DIFFERENTIATION ANALYSIS: DATA CAPTURE TABLE

### (A) Assess and benchmark size and share of market (taking the past 5–10 years into consideration)

What are the main products / product lines in the sector?

What are the net export sales for these product segments? (actual and estimated)

Who are the 3–5 major international competitors for each product listed?

What are the net export sales for each international competitor?

What were the trends over the past 5–10 years?

What are the future trends?

### (B) Assess and benchmark product scope (Y-axis)

How does the complexity of the products compare to those of competitors?

- ▶ 1 = low (e.g. raw products)
- ▶ 3 = medium (e.g. semi-processed)
- ▶ 5 = high.

### (C) Assess and benchmark product differentiation (X-axis)

How do the products compare with those of competitors in level of differentiation?

- ▶ 1 = low (price competition)
- ▶ 3 = medium (price and differentiation)
- ▶ 5 = high (differentiation).

## ANNEX 5: COST BENCHMARKING: DATA CAPTURE TABLE

### (A) Internal costs

Which product(s) should be benchmarked?

What are the different components of the sector's products?

Using a uniform unit of measurement, what is the value of each cost component?

What are the crucial cost drivers?

### (B) Competitor costs

Who are the main competitors?

What is the value of each cost component for the competitor's products?

What are their usual cost drivers?

## ANNEX 6: VALUE CHAIN DATA CAPTURE TABLE

### (A) Value chain mapping

What are the key inputs / raw materials needed to produce the good?

Who are the key players / stakeholders in creating this product?

What are the steps that transform the input at each stage to an output until the final product is delivered to the consumer?

How can sub-sectors be defined and what is their value addition?

What are the key interactions between the stakeholders in the value chain? How many of these are formal?

What are the contractual norms in the value chain of each sub-sector? What are the ordering and payment norms?

Detailed questions regarding each of the following inputs: (i) quality and quantity of products; (ii) regulatory and compliance issues; (iii) the split between imports and exports; (iv) financing and capital; (v) the role of technology and R&D; (vi) transport costs and logistics; (viii) the extent and nature of wastage. These could concern:

- ▶ Raw and intermediate materials used in the making of products
- ▶ Primary factor inputs of land, labour and capital used in the production process
- ▶ Utilities and other costs
- ▶ Trade and transport in delivery of the end product to the next stage in the value chain
- ▶ Marketing and distribution channels to customers for intermediate and end products.

### (B) Value chain proposal

What are competitors' value chains in the country of production, in the region and globally? What international benchmarks are used by the industry?

How does the productivity (in labour, capital and key inputs) of national firms in the sector compare with global and regional best practices?

How does the capacity utilisation of national firms in the industry compare with global and regional best practices?

How does the technology in the sector compare with global and regional best practices?

How do costs compare with global and regional best practices (labour, capital and key inputs)?

What are the productivity cost, price and time figures at each step of the value chain? These could include:

- ▶ Output per unit labour hour
- ▶ Capital and equity efficiency
- ▶ Cost of bureaucracy and red tape: time taken to start, transact and finish business
- ▶ Time taken for customs clearance and export transactions.

## ANNEX 7: PORTER'S FIVE FORCES DATA CAPTURE TABLE

Analysis per product or market Identified in Step 1.

<b>(A) Rivalry</b>								
Who are the major players in the industry? What percentage of the industry's production do they account for?								
How many firms account for this percentage? What is their annual growth rate?								
<b>(B) Threats of new entrants</b>								
How many firms entered this industry last year?								
What is the minimum capital requirement to start a business in this industry?								
What are the 2–5 key constraints in starting a business? These could include high initial investment costs, brand name requirements, established distribution channels, policy or business environment issues and industry-specific issues.								
How many firms exited the industry last year?								
<b>(C) Threat of substitute products or services</b>								
Do buyers have a tendency to buy substitute products? What is the estimated price difference between the product and its main substitute?								
<b>(D) Bargaining power of buyers</b>								
Who are the major buyers in the industry? What percentage of sales do they account for?								
How many buyers account for this percentage?								
Are buyers price-sensitive?								
What is the approximate growth in demand per year?								
<b>(E) Bargaining power of suppliers</b>								
Who are the major suppliers in the industry? What percentage of industry purchasing do they account for?								
How are these suppliers organised? Do forms of cooperatives or government-controlled boards regulate their functions? If so, are they market-efficient?								
Is the supply of input reliable or do suppliers face seasonal or transportation-based disruptions?								
Is there any opportunity to access differentiated inputs?								

## ANNEX 8: LAYOUT OF A SECTOR STRATEGIC PLAN

Operational objective	Activities	Priority 1=high 2=med 3=low	Beneficia- ries	Key Per- formance Indicator (KPI)	Leading im- plementing partner	Supporting implement- ing partners	Existing pro- grammes or potential support	Estimated costs
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