



# New Hope

The ICT industry has been one of Jordan's brighter achievers over the last ten years. Although the first REACH initiative was slightly optimistic, when all was said and done, it had gone a long way towards boosting the ICT business. In 2007 a new ICT strategy was announced to further boost the industry. As the first results of the new strategy are published, Venture takes a look at the results so far. **By Laith Abou-Ragheb**

IN 1999, THE IT ASSOCIATION of Jordan (INTAJ) published the REACH initiative. REACH was a national strategy aiming to put Jordan's ICT sector on the regional map by laying out some clear goals to be achieved by 2005. Its goals included the creation of some 30,000 ICT related jobs, increasing annual exports to \$550 million, and attracting \$150 million in foreign direct investment.

Although the initiative's initial goals were regarded as somewhat optimistic the result was a real boost to Jordan's ICT industry. And when REACH's five years were up, it had gone a fair way to achieving its goals and the benefits to the industry that could be counted were numerous.

In late 2007, a new ICT strategy was launched, which set another series of goals to be achieved by 2011. Venture covered the birth of the grand scheme (Restoring the Rhythm) in July, 2007, and decided to revisit the project this month to gauge how many of its goals had been achieved, and to see what more work, if any, still needed to be done for Jordan to compete alongside other ICT centers in the region.

## New goals

One of the main objectives of the Strategy, which is spearheaded by the Information Technology Association of Jordan (INT@J), is to boost Internet penetration in the Kingdom to 50 percent by 2011. Usage now stands at 20 percent of the population, up from 11 percent in 2007.

"This is an important point. The cost of accessing the Internet is coming down," said Xpress CEO and INT@J Chairman Marwan Juma.

Jordan Telecom Group in June last year announced it had reduced the costs of Internet protocol connectivity to Internet providers by 15-52 percent. And in November, Internet service provider Orange upped the maximum ADSL speed offered to customers from 2MB to 8MB.

"This increase in speed is helping the international credibility of Jordan (as an ICT center) as a whole," Juma said.

An agreement was also signed over the summer months which should have a second submarine cable commissioned in Jordan to help cope with growing bandwidth demands. The cable, which is expected to come on-line

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in September, will have a capacity of one-terabit.

The Ministry of Information and Communications Technology, which is another of the Strategy's major stakeholders, was quick to put forward its program of providing affordable laptops for every university student as a reason for the rise in Internet penetration.

The Ministry's project, which was launched in September 2007, allows a student to purchase a laptop for \$420 through a \$10-per-month installment plan.

Haitham Al Qaisi, Head of Promotion and Awareness at the Ministry, said 16,000 laptops had so far been distributed under the scheme. "It's been a great success and we're hoping it will do just as well in 2009," he said.

According to a study released by the Department of Statistics in August 2007, approximately one-third of households have personal computers, but only 16 percent of these households are connected to the Internet.

The survey also indicated that 64 percent of households did not have computers because they were unable to afford the purchase of one.

"The affordability of laptops is still an issue for most Jordanians. So it will be critical to see what will happen to the laptop for every student scheme," said Juma.

But even with the apparent popularity of the project, Juma strongly believes that prices for IT products must come down for everyone in Jordanian society. "If we're serious about building a knowledge-based economy... then the government should not tax locally-consumed or exported IT products, or at least have as low a tax band as possible," he said. "If this really is a real engine for growth, then we have to take it seriously. There should be no tax on knowledge."

Other developments in 2008 that have helped boost Internet connectivity include the laying of a fiber-optic cable along the length of the Kingdom.

"We've linked almost 3,000 schools to this cable, along with many small and large settlements," said Al Qaisi.

By 2011, the Strategy also aims to have increased the sector's annual revenue to \$3 billion and the number of people it employs to 35,000.

Statistics showing how well the sector fared on these two counts in 2008 had yet to be released at the time Venture went to press.

But INT@J recently published the results of an industry-wide study conducted in 2007. The survey of 89 firms stated the sector's total revenue had increased 14.66 percent over the previous year to almost \$883 million, while employment was up three percent to around 11,000.

### Same old obstacles

But even with these rises, the major actors involved still believe there are major obstacles inhibiting faster growth. These include lack of expertise, as well as a scarcity of mergers and acquisitions. "There has been a brain drain in 2008, with most well-trained people heading to the Gulf countries like Qatar and the UAE," said Ramzi Zeine, Executive Chairman of STS, one of Jordan's largest IT firms.

This concern was echoed by INT@J's Juma. "There's a lack of human resources. I think they're qualified relative to the region. But in the IT industry you are

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competing with the best [in the world]. The quality of our graduates is the key," he said, adding there was a need to boost soft skills such as the ability to speak English.

While Hazem Malhas, the CEO of Al-Faris National Investments (Optimiza), an IT and management consulting public shareholding company, believes universities in Jordan need to foster a greater sense of openness. "They don't open up physically. Why do they have to be surrounded by fences? They don't integrate with the city they're in, especially the business community, unlike their counterparts in other parts of the world," he said.

Al-Faris National Investments Company created the Optimiza brand and network, acquired MenITech, a regional human resources solutions provider and

launched Optimiza Academy. It began life in 2006 as an investment vehicle backed by strategic investors. Through a series of major acquisitions, it went on to become a strong regional systems integrator in the IT sector, with offices in Jordan, Saudi Arabia, Qatar, Kuwait, Iraq and the UAE.

Malhas wishes other IT firms in Jordan would be brave enough to follow Optimiza's lead and begin a process of consolidation, which would allow the Jordanian IT industry to compete more effectively on the international stage.

"The Jordanian ICT industry itself is still fragmented. A lot of firms in the sector are owner-operated and niche companies. They're doing fine, but there's nothing exciting or interesting happening when compared to India or Ireland," he said.

"I would like to see more coalitions and mergers among Jordanian and regional companies. Today we are leading the way and the government should support such initiatives," he added.

### Economic Slowdown

But one potential challenge that those behind the Strategy may have failed to factor-in was the global economic slowdown. Will growth targets have to be revised because of this looming threat?

STS' Zeine said the Kingdom's IT sector, much like other industries, was concerned about the financial crisis. But he insisted there were still some growth markets that Jordanian IT firms could tap in the region.

"There's still a lot of activity in Iraq and Libya, whose IT needs are starting from nothing. Also, the Saudi and UAE governments have strategic long term plans that they won't cut off."

But Malhas struck a more downbeat note. "Let's hope it's a slowdown and not a total halt. Companies who cannot find financing or access funds will have a very hard time, not only to grow but just to survive," he warned.

"We could have a doomsday scenario, whereby companies cut their IT budgets and the government fails to offer more support by issuing more IT contracts. If this happens, we'll have a disaster on our hands." ●