

**Pre-Feasibility Study**  
**Touristic Traditional Market in the Dead Sea Area**  
**Balqa**

April, 2017

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## 1. Executive Summary

This study aims to specify the pre-feasibility of the project to establish a touristic traditional market in the Dead Sea area. The project aims of establishing a traditional market that has the needed infrastructure and services for its operation. As well as to design the market in a form of commercial shops that can be rented to tenants that wish to invest and sell their products in this market.

The market targets the visitors of the region from inside and outside Jordan. The shops will exhibit local goods and products that reflect the heritage of the region, in addition to traditional costumes, embroidered, textiles, crafts, handmaids, memorials, antiques, and other different goods. Craftsmen and producers families inside the region can also participate in the market where the visitor can wander in the market and buy from exhibited products, then have a rest in any restaurant or café that are available in it.

**Table 1: initial indicators of the project**

<b>Project Name</b>	Touristic Traditional Market in Dead Sea Area
<b>Sector</b>	Tourism
<b>Governorate</b>	Balqa
<b>Region</b>	Dead Sea area
<b>Products/Services</b>	<p>The expected services of the project are divided to services that are provided to the investors /tenants of the market, and services for visitors of the market. Services that are provided to the investors /tenants included:</p> <ul style="list-style-type: none"> <li>• Provide the needed infrastructure to the shops, restaurants and café shops.</li> <li>• Equipping the buildings with all the services required for operation including water, electricity.....etc.</li> <li>• Providing security services</li> </ul> <p>The services that are provided to the visitors of the market include:</p> <ul style="list-style-type: none"> <li>• Parking services</li> <li>• Public services</li> </ul>

<p><b>Project Description</b></p>	<p>To establish a touristic traditional market in the Dead Sea area. The project aims of establishing a traditional market that has the needed infrastructure and services for its operation. As well as to design the market in a form of commercial shops that can be rented to tenants that wish to invest and sell their products in this market.</p> <p>The market targets the visitors of the region from inside and outside Jordan. The shops will exhibit local goods and products that reflect the heritage of the region, in addition to traditional costumes, embroidered, textiles, crafts, handmaids, memorials, antiques, and other different goods. Craftsmen and producers families inside the region can also participate in the market where the visitor can wander in the market and buy from exhibited products, then have a rest in any restaurant or café that are available in it.</p>
<p><b>Target Market</b></p>	<p>The project targets investors and tenants who wants to invest in:</p> <ul style="list-style-type: none"> <li>• The commercial shops that exhibit local goods and products which reflect the heritage of the region</li> <li>• Restaurants</li> <li>• Café shops</li> </ul>
<p><b>Investment Cost</b></p>	<p>The investment cost of the project reaches 2.696 million JD</p>
<p><b>The Average return on investment</b></p>	<p>The average return on investment during five years is about %17.9</p>
<p><b>Internal Rate of Return</b></p>	<p>The internal rate of return of the project is %19.3</p>
<p><b>Average added value of the project</b></p>	<p>The average added value of the project during five years reaches about 624 thousand JDs</p>
<p><b>Risk Assessment</b></p>	<p>The Sensitivity Analysis indicates a low risk in case of 10% increase in investment cost, or 10% increase in operating costs, or 10% decrease in revenues.</p>
<p><b>The project Justifications</b></p>	<ul style="list-style-type: none"> <li>• Activating the internal and external tourism</li> <li>• Creating a touristic traditional area in the Dead Sea region</li> <li>• Employment generation</li> <li>• Increasing complementarily with touristic projects</li> </ul>
<p><b>Partners/Stakeholders</b></p>	<ul style="list-style-type: none"> <li>• Ministry of Tourism and Antiquities</li> <li>• Related municipality (licenses)</li> </ul>

## 2. The Macroeconomic Environment

### 2.1 An Overview of the Hashemite Kingdom of Jordan

The Hashemite Kingdom of Jordan is a landlocked country surrounded by land except at its southern extremity at the port of Aqaba, where that area is the only sea exit area in Jordan. The Kingdom is bordered at its west side by Palestine and the Mediterranean Sea, at its south and east by the Kingdom of Saudi Arabia, at north east by Iraq and at north by Syria.

Figure1 : Map of the Hashemite Kingdom of Jordan



Jordan is marked by three climatic zones from west to east including the Jordan Valley, most of which lies below sea level and is considered subtropical, and upland areas to the east of the Jordan Valley, ranging in height from 100 to 1500 meters above sea level and this is one of the areas dominated by Mediterranean climate, and the desert areas stretching to the east of the highlands.

The total area of the Kingdom is approximately 89.3 thousand square kilometers, and the semi-desert conditions prevail in over 80% of this area where there are some wet lands settings like Azraq Basin.

The kingdom is divided administratively into twelve governorates distributed into three regions: the Northern Region (includes the governorates of Irbid, Mafrqa, Jerash and Ajloun) while the Central Region (includes the governorates of the capital, Zarqa, Balqa, Madaba) and the Southern Region (includes the governorates of Karak, Tafila, Ma'an, Aqaba), and the major cities are Amman (the capital), Zarqa and Irbid.

## 2.2 Population

Based on the General Census of Population and Housing in 2015, the population in the kingdom amounted to about 9.5 million people with a population density of 107.3 inhabitants per km<sup>2</sup>, where the Capital City knocked off other governorates by population amounting to about 4 million people and a population density of 538.8 inhabitants per km<sup>2</sup>, mainly because Amman is the most attractive governorate for Jordanians and for those coming to Jordan from other countries, followed by Irbid Governorate with a population of 1.8 million people, and then Zarqa Governorate with a population of 1.4 million. Tafila Governorate which is considered to be the least populous governorate whose population is about 96 thousand people.

**Table 2: Number of population and population density in the Kingdom for 2015**

Governorate	Population (people)	Area (Km <sup>2</sup> )	Population density (people/ km <sup>2</sup> )
<b>Central Region</b>			
Capital	4007526	7,579	528.8
Zarqa	1364878	4761	286.7
Balqa	491709	1120	439.0
Madaba	189192	940	201.3
<b>North Region</b>			
Irbid	1770158	1572	1126.1
Mafraq	549948	26551	20.7
Jerash	237059	410	578.2
Ajloun	176080	420	419.2
<b>Southern Region</b>			
Karak	316629	3495	90.6
Tafeileh	96291	2209	43.6
Maan	144082	32832	4.4
Aqaba	188160	6905	27.2
<b>Total of Kingdom</b>	<b>9531712</b>	<b>88793.5</b>	<b>107.3</b>

Source: Department of Statistics, Jordan General Population and Housing Census, 2015

On the other hand, the population growth rate has reached about 3% in 2010 and increased to 9% during the years 2013 and 2014 and then dropped a little during 2015 to reach about 8%, according to demographic surveys for the Department of Statistics. The reason for the high growth rates is attributed to the influx of large numbers of refugees from Syria to the Kingdom which resulted in a marked decline in per capita real GDP index by 5.4% to JD 1,197.4, based on the Statements of the Central Bank of Jordan.

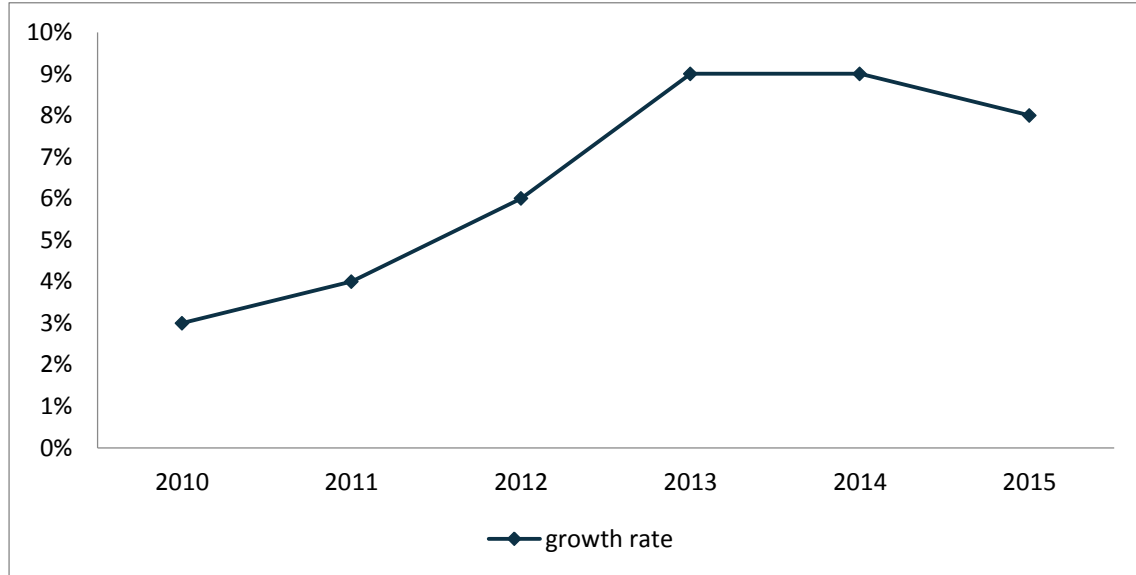
The unemployment rate among Jordanians also witnessed a rise by 1.1 percentages to reach to 13%, due to the structural imbalances that the labor market is suffering from and the acquisition of the low-paid foreign workers on a large number of new jobs in the economy, according to the Central Bank of Jordan.

**Table 3: Number of population and population growth in the Kingdom, thousand**

	2010	2011	2012	2013	2014	2015
population	6698.0	6993.0	7427.0	8114.0	8804.0	9531.7
growth rate	%3	%4	%6	%9	%9	%8

Source: Department of Statistics

**Figure2 : population growth rate in the Kingdom**





### 2.3 Economic Indicators in the Kingdom <sup>1</sup>

Countries across the Middle East are still suffering from instability and closure or partial closure of borders; including the borders of important markets for the Kingdom's products. These factors led to a decline in the performance of many of the economic sectors, including the external sector, national exports, touristic income, and Foreign Direct Investment (FDI), and they contributed to a slowdown in the economic growth to about 2.4% in 2015, compared to 3.1% in 2014. The growth achieved in 2015 came from growth across several economic sectors, especially in the finance, insurance, and real estate services; the transport, storage, and communications services; the mining industry; the manufacturing industry; and the agriculture sector. These sectors contributed a combined 1.8 percentage points (or 75%) of the growth rate achieved during 2015, reflecting the diversity of the economic growth sources in the Kingdom.

Additionally, the general price level registered a decline in the prices of oil, commodities, and other related services in the global markets. Therefore, the general price level, measured by the relative change in the average consumer price index deflated by 0.9% in 2015, compared to the inflation of 2.9% in 2014.

The budget deficit, after aid, increased by 1.2% to a record 3.5% of GDP, compared with 2.3% in the previous year. In addition, the Balance of Payments' Current Account recorded a deficit of 8.9% of GDP, compared with 7.3% in 2014. At the end of 2015, the net public debt amounted to 22,847.5 million Jordanian Dinars (85.8% of the GDP), with an increase of 5.0% of the GDP. However, the total public debt reached 24,876.5 million Jordanian Dinars (93.4% of GDP). This increase resulted from financing both the general budget deficit and the guarantees for loans for the National Electricity Company and the Water Authority, as well as the slowdown of economic growth during 2015. The indebtedness of the National Electricity Company and the Water Authority recorded 6.7 billion Jordanian Dinars at the end of 2015.

On the monetary and banking front, most monetary indicators experienced positive development in performance in 2015, primarily in the Central Bank's foreign reserves, which maintained comfortable levels that amounted to about \$14.2 billion. The dollarisation rate decreased, which reflected positive demand for Jordanian Dinars in comparison to other major foreign currencies. With regards to the activities of licensed banks, the outstanding balance of credit increased by 9.5%, to reach 21,103.5 million Jordanian Dinars at the end of 2015. The total deposits registered with licensed banks increased by 7.7%, to reach 32,598.5 million Jordanian Dinars at the end of 2015. The increase in deposits came as a result of the high dinar deposits, which increased by 2,001.4 million Jordanian Dinars (8.3%), and higher foreign currency deposits, which increased by 336.1 million Jordanian Dinars (5.4%).

Furthermore, many of the external sector indicators registered a drop in performance in 2015 due to the deepening instability in the region and almost full closure of the borders with Iraq and Syria. However, the drop in oil prices in the global markets contributed to the decline in the Kingdom's imports bill for energy, as it dropped by 40.6%, which in turn

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<sup>1</sup> The Central Bank of Jordan

contributed to a decline in total imports and the trade deficit by 11.4% and 14.0%, respectively. Thus, the Current Account, excluding aid, declined to 11.9% of GDP, compared to 12.4% in 2014.

The Current Account deficit increased after aid, to reach 2,365.6 million Jordanian Dinars (8.9% of GDP) in 2015, compared with a deficit of 1,851.7 million Jordanian Dinars (7.3% of GDP) in 2014. This decline is due mainly to the decline in total exports by 6.6% and the decline in surplus in the services account by 27.7%, as touristic income decreased by 7.1%, and the decline in the surplus in the current transfers account decreased as a result of reduced foreign aid.

Capital and financial accounts resulted in a net inflow of 1,593.7 million Jordanian Dinars in 2015, compared to 909.0 million Jordanian Dinars in 2014; this was due to the Kingdom's higher net obligations towards the outside world. Foreign Direct Investment registered a net inflow of 909.4 million Jordanian Dinars, and the reserved investment registered an inflow of 918.4 million Jordanian Dinars due to the Kingdom issuing Eurobonds that are worth \$2.0 billion in the global markets. The withdrawal of bank loans on behalf of the Central Bank increased the use of funds from the International and Arab Monetary Funds by 543.3 million Jordanian Dinars. This led to the registration of a surplus in the overall Balance of Payments of 328.7 million Jordanian Dinars during 2015, compared to a surplus of 1,550.7 million Jordanian Dinars during 2014.

According to the Central Bank of Jordan, the increased international investment at the end of 2015 showed an increase in the external net liabilities of the Kingdom, which reached 24,357.5 million Jordanian Dinars, compared with 22,578.8 million Jordanian Dinars at the end of 2014. This was due to an increase in the external balance of assets and financial liabilities for all of the economic sectors in the Kingdom, which reached to 18,657.9 million Jordanian Dinars and 43,015.5 million Jordanian Dinars, respectively, during 2015.

**Table 4: main economic indicators 2011 to 2015 in millions of dinars**

	2011	2012	2013	2014	2015
<b>Population (millions)</b>	6.993	7.427	8.114	8.804	9.532
<b>Unemployment rate</b>	12.9	12.2	12.6	11.9	13.0
<b>Production and Prices</b>					
GNP at current market prices	20,288.8	21,690.0	23,611.2	25,141.2	26,289.6
GDP at current market prices	20,476.6	21,965.5	23,851.6	25,437.1	26,637.4
The rate of growth in GDP at constant market prices (%)	2.6	2.7	2.8	3.1	2.4
The total national disposable income at current prices	23,743.5	24,774.9	28,424.5	30,302.1	30,234.7
The rate of growth in gross national disposable income at current prices (%)	4.7	-0.2	8.6	3.1	-2.4
Change in the index of consumer prices (%)	4.2	4.5	4.8	2.9	-0.9
The change in the GDP deflator (%)	6.4	4.5	5.6	3.4	2.3
<b>Money and Banking</b>					
Exchange rate of the Jordanian dinar to the US dollar	1.410	1.410	1.410	1.410	1.410
Money supply (P2)	24,118.9	24,945.2	27,363.4	29,240.4	31,605.5

	2011	2012	2013	2014	2015
Net foreign assets of the banking system	9,370.1	6,665.5	6,923.4	7,932.3	8,137.3
Net domestic assets of the banking system	14,748.8	18,279.7	20,440.0	21,308.1	23,468.2
Net debt of the government	6,701.4	9,461.3	10,494.8	10,473.9	11,386.4
Private sector debts (Residents)	14,925.0	15,953.6	17,222.5	17,852.8	18,704.5
Other factors <sup>(1)</sup>	-6,877.6	-7,135.2	-7,277.3	-7,018.5	-6,622.7
Deposits in dinars at licensed banks	19,119.1	17,711.1	21,003.0	24,013.1	26,014.5
Foreign currency deposits at licensed banks	5,258.8	7,258.6	6,590.2	6,247.9	6,584.0
Rediscount rate (%)	4.50	5.00	4.50	4.25	3.75
Treasury bills interest rate for 6 months (%)	3.232	3.788	-	-	-
<b>Public Finance</b>					
Total revenue and foreign aid	5,413.9	5,054.2	5,758.9	7,267.6	6,796.4
Ratio to GDP (%)	26.4	23.0	24.1	28.6	25.5
Total spending	6,796	6,878.2	7,077.1	7,851.1	7,722.9
Ratio to GDP (%)	33.2	31.3	29.7	30.9	29.0
Overall deficit/savings (on an accrual basis)	-1,382.7	-1,824.0	-1,318.2	-583.5	-926.5
Ratio to GDP (%)	-6.8	-8.3	-5.5	-2.3	-3.5
Net outstanding balance of the domestic public debt	8,915.0	11,648.0	11,863.0	12,525.0	13,457.0
Ratio to GDP (%)	43.5	53.0	49.7	49.2	50.5
Outstanding external public debt <sup>(2)</sup>	4,486.8	4,932.4	7,234.5	8,030.1	9,390.5
Ratio to GDP (%)	21.9	22.5	30.3	31.6	35.3
<b>Foreign Trade and Balance of Payments</b>					
Current account	-2,098.8	-3,344.9	-2,487.7	-1,851.7	-2,365.6
Ratio to GDP (%)	-10.2	-15.2	-10.4	-7.3	-8.9
Trade balance (Deficit)	-6,261.7	-7,486.6	-8,270.1	-8,495.6	-7,249.3
Ratio to GDP (%)	-30.6	-34.1	-34.7	-33.4	-27.2
Commodity exports	5,684.5	5,599.5	5,617.9	5,953.6	5,558.3
Imports of goods (FOB) <sup>(3)</sup>	11,946.2	13,086.1	13,888.0	14,449.2	12,807.6
Balance of services (net)	896.0	1,332.3	1,209.5	1,778.9	1,286.4
Income account (net)	-187.8	-275.5	-240.4	-295.9	-347.8
Current transfers (net)	3,454.7	3,084.9	4,813.3	5,160.9	3,945.1
Capital and financial account (net)	2,298.9	3,808.9	1,811.1	908.9	1,593.7
Direct foreign investment in Jordan (net)	1,055.0	1,074.3	1,281.2	1,426.7	905.1

Source: Monthly Statistical Bulletin, Central Bank of Jordan

1. Includes the debts of public and financial institutions and other factors, as shown in the Monetary Survey Agenda.
2. This represents the total balance of drawn loans, minus total repayments.
3. Does not include imports of non-resident entities.

## 2.4 The Jordanian Investment Environment

### Investment Law No. 30 for 2014

Investment Law no. 30 for 2014 is considered an appropriate legislative framework to attract foreign investments and stimulate local investments. It is considered a competitor to other investment laws in the region because it contains many advantages, incentives, and guarantees, and it offers a range of incentives and benefits in and outside the Development and Free Zones. The law includes a series of public provisions, such as foreign investment guarantees (depositing and withdrawal of capital, investment management, and transfers) and the inadmissibility of the disbarment of investment property. The law offers provisions to settle investment disputes, protection, and encouragement of mutual investment agreements between the Kingdom and other countries.

The following shows the major incentives granted by the law:

#### ❖ Incentives and Benefits outside the Development and Free Zones

- The production inputs for the industrial and crafts sectors are exempted from customs duties.
- The return of the general sales tax on the production inputs for the industrial and crafts sectors within 30 days.
- Production inputs and fixed assets of the industrial and crafts sectors are exempted from customs duties and are granted a reduction in general sales tax to 0%.
- Returning to the sales tax on the services needed to practice economic activity within 30 days.
- The goods that are necessary for the economic activities of the following sectors are exempted from customs duties and are subject to 0% general sales tax:
  - Agriculture and livestock, hospitals and specialised medical centres, hotels and touristic facilities, touristic entertainment and recreation centres, call centres, scientific research centres and laboratories, art and media production, convention centres and exhibitions, transfers and/or distributions and/or extraction of water, gas and oil derivatives, air transport, maritime transport, and railways.

#### ❖ Incentives and Benefits inside the Development and Free Zones

- 5% income tax on the income generated from economic activity within the Development Zone.
- 5% income tax on income generated from economic activity in the industrial sector.
- Tax exemptions that are granted in the Kingdom on goods and services exports.
- Reduction of sales tax to 0% on goods and services that are used by the establishment in order to exercise its activity inside the Development Zone.
- 7% sales tax on specific services provided by a registered company in the zone when these services are consumed in the zone.
- Exemptions from customs duties except for a specified number of goods.

❖ **The Reduction of Income Tax in the Least Developed Areas for Regulation No. 44 for 2016**

- The reduction of income tax in the least developed areas for Regulation No. 44 for 2016 was approved. It aims to create an attractive environment for investments that promote economic development through the reduction of income tax outside the Development Zones and in the least developed areas in the Kingdom. The regulation specified the areas that are considered least developed and identified the activities that are excluded from this reduction.
- Under the provisions of Articles 4 and 5 of this regulation, the areas that were categorised as least developed and enjoy the reduction in income tax are divided into four categories; each category enjoys a reduction in income tax on their activities for a period of 20 years.
- Category A includes the Northern Valley District, Deir Alla District, Shouneh Al-Janoubieh District, the Southern Valley District, Rweished District, the Northern Desert District, the North Western Desert District, Al-Azraq Province, Al-Jiza District except for the borders of the new Al-Jiza municipality, Al-Moakar District except for the borders of Al-Moakar municipality, and the Governorate of Aqaba except for the Aqaba Special Economic Zone. The reduction rate for this category is 100%.
- Category B includes the Governorates of Maan, Tafileh, Karak, and Ajloun. The reduction rate for this category is 80%.
- Category C includes the Governorates of Jarash, Mafraq, and Irbid except the borders of the Greater Irbid Municipality. The reduction rate for this category is 60%.
- Category D includes the Governorates of Madaba, Balqa, Amman except for the Greater Amman Municipality, and Zarqa except for the borders of Zarqa Municipality and Russaifeh Municipality. The reduction rate for this category is 40%.

❖ **Trade and Free Trade Agreements**

The most important agreements are:

- Jordan joining the World Trade Organisation in 2000, which led to the opening of the markets of 150 countries for Jordanian exports in goods and services, and provided new opportunities of access to other countries within a clear and transparent environment of laws, regulations, and procedures.
- A series of regional trade agreements, such as the Jordan Partnership Agreement with the European Union, Agadir Agreement, Free Trade Arab Agreement, the free trade agreement between Jordan and the European Free Trade Association, and the adoption of the Euro-Mediterranean simplification of the rules of the Origin System, which includes the decision to simplify the rules of the origins of Jordanian products between Jordan and the European Union came into effect on July 19, 2016, and will remain in effect until December 31, 2026.
- A series of bilateral trade agreements with many countries, such as the free trade agreement between Jordan and the United States of America, the Qualified Industrial Zones Agreement, the free trade agreement between Jordan and Singapore, the free

trade agreement with Turkey, the free trade agreement with Canada, and many other agreements.

- Jordan has signed more than 35 agreements with Arab and foreign countries in order to prevent double taxation between Jordan and these countries, thus protecting investors' rights.
- The Agreement of Promotion and Protection of Investments and the Movement of Capital between the Arab Countries was signed in 2000 with 11 Arab countries who are members of the Arab Economic Unity Council, in order to establish an appropriate environment for investments and economic cooperation between investors in the Arab countries, thus pushing and stimulating investment activities by providing encouragement and mutual protection for Arab investments.

### **Human Development Report for 2015**

The Human Development Report that was issued by the United Nations Development Program in 2015 showed that Jordan fell 3 points to number 80. Please note that Jordan's place on the Human Development Report index value has improved slightly.

### **Global Competitiveness Report**

The Kingdom's rank has improved by one point in the Global Competitiveness Report for the year 2016/2017, at 63 out of 138 countries compared to 64 out of 140 countries in the 2015/2016 report. It is considered an insignificant improvement, especially because of the reduction in the number of countries participating in this year's report. Amongst the Arab countries, Jordan was ranked after the United Arab Emirates, Qatar, the Kingdom of Saudi Arabia, Kuwait, and Bahrain, who were ranked 16, 18, 29, 34, and 39, respectively.

### **Doing Business Report**

In the Doing Business Report that was issued by the World Bank Group, Jordan is still ranked 118, up one rank from the 2016 report, because of the variation in the performance of the different sub-indicators. Jordan ranked ninth among the Arab countries; the United Arab Emirates was ranked first among the Arab countries at 26, followed by Bahrain at 63 and Oman at 66.

## 2.5 The Economic Environment in the short and medium term

Risks analysis implemented by BMI indicates that the Jordan's political and economic risks in the short and medium term are less than the overall average of the world and the Middle East. The state's risks and the operational risk are estimated to be within the acceptable levels. The international institutions' forecasts point out that the economic and foreign trade indicators are expected to achieve acceptable rates of growth with the exception of the continued increase in internal and external indebtedness.

**Table 5: Assessment of short and long-term risks**

	Long term		Short term		Operational risks	State risks
	political	Economic	political	economic		
Jordan	63.1	39.2	66.6	46.2	58.7	55.4
Turkey	60.2	49.4	58.4	56.9	55.9	56.1
Egypt	53.3	45	52.4	48.7	42.9	47.5
Lebanon	45.8	54	55.4	53.5	44.2	49.5
West Bank and Gaza	33.1	38.1	32.2	36.5	32.5	34.3
Syria	22.9	24.4	22.4	23.6	29.3	26.1
Regional average	49.4	46.9	51.2	48.7	46.6	48.3
global average	64.1	50.7	61.3	51.9	49.8	54.6

Source: the economy and state risks, IHS, 15/09/2016

**Table 6: The most important key economic indicators 2016-2020**

Indicator	2016	2017	2018	2019	2020
The growth rate of GDP	2.6	2.7	2.8	3.2	3.1
GDP (in USD billions)	39.6	42.1	44.8	47.8	50.9
Population (In millions)	9.8	10.1	10.4	10.7	11.0
Consumer Price Index (% change)	-0.7	1.8	3.3	4	3.2
Exports (in USD billions)	7.3	7.6	8.2	8.8	9.6
Imports (in USD billions)	18.3	19.2	20.1	21.3	22.8
Foreign direct investment, the net value (in USD billions)	1.5	1.5	1.6	1.6	1.7
Foreign direct investment, the net value (% of GDP)	3.7	3.7	3.6	3.4	3.3
Foreign exchange reserves (in USD billions)	13.9	14.9	15.7	16.8	17.7
Total external debt (in USD billions)	24.4	27.8	30.7	33.7	36
Total external debt (% of GDP)	61.6	66	68.6	70.4	70.6
Total external debt (% of foreign currency earnings)	127.3	138.3	143.6	147.5	147.8

Source: the economy and state risks, IHS, 15/09/2016

### **3. Market Study**

#### **3.1 Project Description**

To establish a touristic traditional market in the Dead Sea area. The project aims of establishing a traditional market that has the needed infrastructure and services for its operation. As well as to design the market in a form of commercial shops that can be rented to tenants that wish to invest and sell their products in this market.

The market targets the visitors of the region from inside and outside Jordan. The shops will exhibit local goods and products that reflect the heritage of the region, in addition to traditional costumes, embroidered, textiles, crafts, handmaids, memorials, antiques, and other different goods. Craftsmen and producers families inside the region can also participate in the market where the visitor can wander in the market and buy from exhibited products, then have a rest in any restaurant or café that are available in it.

The project also has an administration building for the management of the project. The market management consists of a team that manages the market and solve any issues that may face the investors / tenants and / or visitors.

#### **3.2 Description of the Expected Services**

The expected services of the project are divided into services provided to investors / tenants of the market, and services provided to the visitors of the market. The services that are provided to investors / tenants include:

- Provide the needed infrastructure to the shops, restaurants and café shops.
- Equipping the buildings with all the services required for operation including water, electricity.....etc.
- Providing security services
- The services that are provided to the visitors of the market include:
  - Parking services
  - Public services

#### **3.3 Market Analysis**

The demand on the touristic traditional market project services is influenced by:

- Inflow of tourists from outside Jordan
- The number of visitors to the Dead Sea area from inside Jordan
- The security and political stability in Jordan
- The economic growth rate and the increase in income.
- The seasonality which increases in summer, holidays, vacations, social and religious occasions.



## The Dead Sea Region

The Dead Sea region is considered one of famous touristic attractions in Jordan for entertainment and therapeutic tourism, the water of the Dead Sea contains many therapeutic compounds which treat many diseases, as well it has high concentration of potassium, magnesium, chloride and bromide salts and other minerals. The Dead Sea as well is full of health benefits, and enters in the manufacturing of many cosmetics.

The weather of the Dead Sea is distinguished by beings very hot in summer and warm in winter. In Dead Sea area, there are many public beaches, restaurants and hotels. The area contains:

- **Amman Touristic Beach**

Amman touristic beach is under the Greater Amman Municipality jurisdiction. GAM supervises the beach which was developed in cooperation with the private sector. In the beach, there are bath rooms and amusement facilities that contain swimming pools, changing rooms, places for picnics and parties. The beach also contains a football playing court, a basketball and volleyball court, children play area, (12) kiosks, cafeteria, public toilets and an administration building. Moreover, there are beautiful fountains and seats, and there are a parking lot that can accommodate up to (300) cars, green spaces with an area of (20,000) m<sup>2</sup> that are planted with different kinds of trees and plants that are suitable to the Dead Sea environment. There are also showers (tab water) that are distributed on the beach, terraces and paved passages, umbrellas and lighting components. Games for kids are also assembled, and a location was assigned to prepare a deck to encourage water games (boats, paddles...etc.), as well as paths for people with disability.

- **Hot water of the sea**

It is considered one of the most attractive places in the Dead Sea, which contains magnesium, sodium and potassium chlorides, and other minerals. Tourists enjoy the back swimming in the Dead Sea to let the minerals penetrate inside their bodies.

- **Hotels And Resorts**

The Dead Sea area was very very important to the government and received lots of attention, where it facilitated the establishment of a chain of international hotels, spas and therapeutic resorts.

There are also many conference centers and halls for meetings, and conferences equipped with up to date equipment's, enclosures and needed services to guarantee the success of the meetings and conferences. Many conferences and meeting took place in the area including local, Arab and international. Therefore, the area became famous and it has had an international reputation as a typical environment for holding meetings because of the availability of hotels and high level restaurants, and services with high quality.

### Visitors of the Dead Sea Area

There are no statistics from the Jordanian Concerned authorities that specific the number of visitors to the Dead Sea area. This may be because of the difficulty of counting the number of visitors to this area. as the Dead Sea is visited by many people without checking into hotels or using touristic facilities and closed beaches. Therefore, the study team implemented a survey to explore peoples' opinions in Jordan about tourism in Dead Sea. The survey sample was 972 persons and covered the capital, Zarqa, Madaba, Irbid, Balqa'a and Jerash Governorates. This survey will contribute to the provision of some actual indicators that reflect peoples' opinions about tourism in the Dead Sea area.

According to the results of the survey, the average number of people who visit the Dead Sea area for tourism has reached to %51 of the total responders during a period of the last seven years, and the average number of times that the person visits the Dead Sea with family reached 2.78 times annually.

There are some available statistics about the number of visitors to some of the touristic places in the Dead Sea area including:

- **Visitors of hotels and resorts of the Dead Sea**

Dead Sea area contains many hotels and touristic resorts which are visited by local visitors, foreign and Arab tourists. Knowing the number of visitors of these hotels and resorts is considered the main indicator to measure the scope of tourists coming from all regions to the Dead Sea area. The following table shows the number of the Dead Sea hotels guests of during 2015. The total Dead Sea hotels guests has reached to 243,502 guests for the year 2015, from that total Jordanians number of guests reached 119,431 guests representative a share of %49.

**Table 7: the number of hotels nights and guests according to location and the group of countries for the year 2015**

The region		Dead Sea
African Countries	number of nights	4,957
	number of guests	3,321
American Countries	number of nights	29,878
	number of guests	21,491
Arab Countries	number of nights	72,146
	number of guests	38,562
Asia And Pacific Countries	number of nights	26,178
	number of guests	17,882
European Countries	number of nights	74,231
	number of guests	42,815
Jordanian	number of nights	210,536
	number of guests	119,431
<b>The total</b>	<b>number of nights</b>	<b>417,926</b>
	<b>number of guests</b>	<b>243,502</b>

Source: Ministry of Tourism and Antiquities

- **Visitors to Amman touristic beach**

Through contacting the management of Amman touristic beach an estimation of the number of annual visitors to the beach was reached and it ranges from 200,000 to 250,000 people.

- **Visitors of the Dead Sea Panorama**

The Dead Sea Panorama is a complex that includes buildings with an area of 2,764 m<sup>2</sup>, consisting of the Dead Sea Museum, conferences hall, nature shop, external amphitheater and a restaurant with an area 245 m<sup>2</sup> and can accommodate to 152 visitors, this complex is also considered an attraction point in the region.

The following table shows to the number of visitors to the Dead Sea Panorama for the years 2014-2015 according to visitors' nationality and the months of the year. The number of visitors to the Dead Sea Panorama has reached 28,400 visitors in 2015, out of which 13,598 were foreign visitors and 14,802 Jordanian visitors. The table also shows the relative change in the number of visitors. It is noticeable that the number of visitors has decreased from the year 2014 with an average of the number %19.2 during that year when the number of visitors reached 35,150 visitors.

**Table 8: the number visitors to the Dead Sea Panorama for the years 2014-2015**

Month	2014			2015			% Change 14/15		
	Foreigner	Jordanian	Total	Foreigner	Jordanian	Total	Foreigner	Jordanian	Total
January	1,265	1,535	2,800	1,429	1,371	2,800	13.0%	-10.7%	0.0%
February	1,218	1,682	2,900	450	500	950	-63.1%	-70.3%	-67.2%
March	1,389	1,311	2,700	1,113	1,737	2,850	-19.9%	32.5%	5.6%
April	2,289	1,911	4,200	970	1,930	2,900	-57.6%	1.0%	-31.0%
May	2,553	1,347	3,900	1,678	1,522	3,200	-34.3%	13.0%	-17.9%
June	1,370	1,080	2,450	1,552	948	2,500	13.3%	-12.2%	2.0%
July	2,160	990	3,150	373	227	600	-82.7%	-77.1%	-81.0%
August	1,813	1,087	2,900	1,783	2,117	3,900	-1.7%	94.8%	34.5%
September	1,523	927	2,450	1,179	1,021	2,200	-22.6%	10.1%	-10.2%
October	1,177	1,623	2,800	1,285	1,715	3,000	9.2%	5.7%	7.1%
November	1,785	1,615	3,400	888	912	1,800	-50.3%	-43.5%	-47.1%
December	586	914	1,500	898	802	1,700	53.2%	-12.3%	13.3%
<b>Total</b>	<b>19,128</b>	<b>16,022</b>	<b>35,150</b>	<b>13,598</b>	<b>14,802</b>	<b>28,400</b>	<b>-28.9%</b>	<b>-7.6%</b>	<b>-19.2%</b>

Source: Ministry of Tourism and Antiques

- **Visitors to the Baptism Site**

The baptism site is considered one of the most important religious touristic attractions in Jordan. It is also considered the destination of Christian pilgrimage in January of each year. Due to the availability limited of places for overnight in baptism area, visitors of this location go to hotels and resorts in the Dead Sea to stay because it is considered the nearest location to the site.

The following table shows the number of visitors to baptism site during 2014-2015, and the relative change in the number of visitors. The number of visitors in 2015 reached 65,990 visitors, out of which 56,886 visitors were foreigners, while Jordanians reached 9,104 visitors. The numbers of visitors have decreased in 2015 over 2014 by %27.9

**Table 9: the number of visitors to the baptism site, 2014-2015**

Month	2014			2015			Relative change 14/15		
	Foreigner	Jordanian	Total	Foreigner	Jordanian	Total	Foreigner	Jordanian	Total
January	4,304	1,211	5,515	4,391	646	5,037	2.0%	-46.7%	-8.7%
February	5,097	913	6,010	3,205	547	3,752	-37.1%	-40.1%	-37.6%
March	9,331	984	10,315	5,212	844	6,056	-44.1%	-14.2%	-41.3%
April	11,752	1,027	12,779	6,464	1,086	7,550	-45.0%	5.7%	-40.9%
May	9,868	1,056	10,924	5,764	851	6,615	-41.6%	-19.4%	-39.4%
June	5,633	1,157	6,790	3,418	485	3,903	-39.3%	-58.1%	-42.5%
July	3,629	938	4,567	3,249	902	4,151	-10.5%	-3.8%	-9.1%
August	4,810	1,207	6,017	3,376	872	4,248	-29.8%	-27.8%	-29.4%
September	5,628	846	6,474	5,007	789	5,796	-11.0%	-6.7%	-10.5%
October	9,870	957	10,827	7,542	767	8,309	-23.6%	-19.9%	-23.3%
November	6,526	573	7,099	5,549	603	6,152	-15.0%	5.2%	-13.3%
December	3,719	519	4,238	3,709	712	4,421	-0.3%	37.2%	4.3%
<b>Total</b>	<b>80,167</b>	<b>11,388</b>	<b>91,555</b>	<b>56,886</b>	<b>9,104</b>	<b>65,990</b>	<b>-29.0%</b>	<b>-20.1%</b>	<b>-27.9%</b>

Source: Ministry of Tourism and Antiques

- **The number of amusement tourism Visitors to the Dead Sea area**

Amusement tourism to the Dead Sea area includes one day visitors of the region who do not use touristic facilities and closed beaches. The results of the field survey that was conducted showed, that %51 of the Jordanians have visited the Dead Sea area during the last seven years with an average of 2.78 visits for person annually. According to the general census for the year 2015, the number of Jordanians has reached 6,613,587 people. So, the %51 share represents 3,372,929 persons, and by dividing over 7 years, it resulted that the number of visitors during one year reaches 481,847 persons. According to the average number of visits per person, the estimated total number of visitors reaches 1,339,534 million visitors during one year.

The following table shows the actual number of visitors to the touristic places in Dead Sea during 2015, and the estimated number of visitors that are not published.

**Table 10: summary of the number of visitors to the touristic sites & facilities in the Dead Sea area and the estimated number of one day visitors outside these categories.**

Touristic sites / facilities	Number of visitors
Hotels and resorts	243,000
Amman touristic beach	250,000
Dead Sea Panorama	28,000
The baptism site	66,000
One day visitors*	752,534
<b>Total</b>	<b>1,339,534</b>

Source: Ministry of Tourism and Antiques, Amman touristic beach management

\*Estimation of study team (based on survey results)

By returning to the survey that was conducted during the study, the following results were noticed:

- **The average spending in the Dead Sea by visitors**

In order to estimate the amount of visitor spending while visiting the area, the survey has contained a question to the responders about this value that they pay when they visit, whether the visit including a noted accommodation or not. The average spending per person with accommodation reached 69.1 JDs, while the average spending per family with accommodation reached 238 JDs. However, the average value of spending per person without accommodation reached 17.6 JDs, and the average value of spending per family without accommodation reached 72 JDs.

- **Probability of visiting the proposed touristic heritage market]**

The survey include a question of the possibility of visiting the touristic heritage market which contains shops that exhibit a variety of goods, restaurants and café shops, if this market is established in this region. %34 of the respondents believes that the possibility of visiting market is very high, and %38 of them said that it is high. While %18 of the respondents said that the possibility of visiting the market is low, and %9 said that they do not want to visit the market. This gives a clear indicator of the desire of the people who visit the area to visit such market.

With relation to the touristic activities that visitors of the region do, %55 of the total visitors to the region said that they visit touristic restaurants in the Dead Sea, and they visit Samara mall for shopping.

### **3.4 Supply Analysis**

Currently there is no touristic heritage market which is similar to the proposed project in the Dead Sea area. However, the area has many shops and restaurants that offer their service to visitor's separately and not within a market. Some of these services providers include:

#### **Samara mall**

Samara mall is located in the Dead Sea area and it is the only destination for shopping in the area. It's has an area of 5000 m<sup>2</sup> and contains shops and restaurants. The restaurants with the mall are: Zait & Zaatar, Rovers return, Pastiche, Zaitouna, Java u, Juice bang bang, Candy box, Buffalo wings & rings, Ocean, in addition to shops that exhibit local products; Regina, Holy land gifts and Dead Sea treasures.

The cost of renting a shop in the mall is estimated at about 250 JDs per m<sup>2</sup>.

#### **Hotels and resorts**

As it was mentioned earlier, the Dead Sea area has many touristic resorts and hotels which are classified to four and five star, and they include:

- **Four stars hotels**
  - Dead Sea Spa Hotel
  - Ramada Dead Sea Hotel & Resort
  
- **Five stars hotels**
  - Holiday Inn Dead Sea Resort & Spa
  - Crown Plaza Resort Dead Sea
  - Jordan Valley Marriot Dead Sea Resort & Spa
  - Kempinski Hotel Ishtar Dead Sea
  - Lagoon Hotel & Resort
  - Movenpick Resort & Spa Dead Sea

The Dead Sea hotels contain commercial shops which exhibit different goods like gifts, memorials and therapeutic substances of the Dead Sea famous products.

The Dead Sea hotels, have many restaurants and café shops that offer variety of eastern and western foods. The following table shows restaurants and café shops that are available in the Dead Sea hotels and resorts as well as in the region. Number of these restaurants reach 35 restaurants with varied classifications, in addition to 4 café shops.

**Table 11: Dead Sea restaurants**

Dead Sea restaurants	Location	Classification
Acacia	Jordan Valley Marriott	Touristic/Fast food
Arusha	Jordan Valley Marriott	Arabic
Caskid	Jordan Valley Marriott	Touristic/Fast food
Champions	Jordan Valley Marriott	Touristic/Fast food
Terrazzo 2	Jordan Valley Marriott	Italian
Jo brasserie	Jordan Valley Marriott	French
Mosaico	Jordan Valley Marriott	Touristic/Fast food
The Oasis	Jordan Valley Marriott	Café
Accad Pool grill	Kempinski Ishtar hotel	Touristic/Fast food
Ashour	Kempinski Ishtar hotel	Italian
The Codes	Kempinski Ishtar hotel	Thail
The Opilisc	Kempinski Ishtar hotel	International
Adderah	Holliday Inn Resort	Touristic/Fast food
Billo 393	Holliday Inn Resort	Touristic/Fast food
Dive Inn Pool snacks	Holliday Inn Resort	Touristic/Fast food
Horizon	Holliday Inn Resort	Touristic/Fast food
AL Khayam	Movenpick Resort & Spa	Café
Hana Lounge	Movenpick Resort & Spa	Touristic/Fast food
Chopsticks	Movenpick Resort & Spa	Asian
Juice Bar	Movenpick Resort & Spa	Touristic/Fast food
Luigi	Movenpick Resort & Spa	Italian
The Grill	Movenpick Resort & Spa	Touristic/Fast food
The Splash	Movenpick Resort & Spa	Touristic/Fast food
Bar & Café Valley	Movenpick Resort & Spa	Café
Aqua Pool Bar	Crown Plaza Resort	Touristic/Fast food
Rapaille	Crown Plaza Resort	International
Aqua Fun Snacks	Dead Sea Hotel	Sandwiches
Crystal	Dead Sea Hotel	Arabic
Sport Bar	Dead Sea Hotel	Touristic/Fast food
Lebanese	Dead Sea Hotel	Arabic
Lobby Lounge	Dead Sea Hotel	Touristic/Fast food
Chillax	Ramada Hotel & Resort	Sandwiches
Elements	Ramada Hotel & Resort	International
Nojoom	Ramada Hotel & Resort	Arabic
Zero Five	Ramada Hotel & Resort	International
Chili House	Dead Sea/Sweimeh	Burger
Visa Inn	Dead Sea/Sweimeh	Café
White House	Dead Sea/Sweimeh	Burger
Zad Zenah	Dead Sea/Dir Alla	Arabic

Source: Jordan Tourism Board

### **3.5 Marketing Strategy**

#### **The Targeted Market**

The project targets investors who want to invest in:

- Commercial shops which exhibit local and folkloric goods that reflect heritage of the region
- Restaurants
- Café shops

#### **Proposed Rents**

The renting strategy of the project includes:

- Rent of shops: estimated at about 80 JDs per m2.
- Rent of restaurants and café shops: estimated at about 250 JDs per m2.

#### **Promotion**

The promotion strategy of the project includes:

- Designing of a website for the market which displays all the information about the market as well as contract details.
- Designing a page for the market on social media websites, to announce all the activities that took place in the market.
- Designing and printing of a brochure for the market which details its components and the services it provides.
- Publishing advertisements in local newspapers and TV channels about the project.

#### **Renting**

The strategy for renting shops, restaurants and café shops includes:

- Advertisements which attract investors / tenants who are interested in the project.
- Direct communication with the famous restaurants and café shops owners to encourage them to invest and rent in the project.

#### **Dealing with visitors**

The strategy of providing services includes:

- Maintaining the market and its different facilities.
- Trending visitor in good and proper way.
- Continuous maintenance of the market facilities.
- Credibility in dealing with visitors.
- Continuous cleaning services.



### 3.6 The Expected Market Share

The following table shows the expected market share of the project according to the following assumptions:

- The area of buildings reaches 8,130 m<sup>2</sup> divided into restaurants, café shops and shops. The area of restaurants and café shops reaches 1,626 m<sup>2</sup>, and the area of shops reaches 6,504 m<sup>2</sup>.
- The average occupancy rate of restaurants in the first year of the project is %50, and then it increases starting from the second year of the project to the tenth year to reach to %100.
- The average occupancy rate of the shops in the first year of the project is %30, and in the second year of the project will reach to %60, and reaches to %90 from the third year to the tenth year of the project.
- The rent of restaurants in the first year of the project reaches 250 JDs per m<sup>2</sup>, and increases by %3 annually starting from the sixth year of the project.
- The rent of the shops in the first year of the project reaches 80 JDs per m<sup>2</sup>, and increases by %3 annually starting from the sixth year of the project.

**Table 12: market share portion of the project**

Index	First year	Second year	Third year	Fourth year	Fifth year	Sixth year	Seventh year	Eighth year	Ninth year	Tenth year
Area (m <sup>2</sup> )	8,130	8,130	8,130	8,130	8,130	8,130	8,130	8,130	8,130	8,130
Area of restaurants and café shops (m <sup>2</sup> )	1,626	1,626	1,626	1,626	1,626	1,626	1,626	1,626	1,626	1,626
Occupancy rate of restaurants	%50	%100	%100	%100	%100	%100	%100	%100	%100	%100
Area of shops (m <sup>2</sup> )	6,504	6,504	6,504	6,504	6,504	6,504	6,504	6,504	6,504	6,504
Occupancy rate of shops	%30	%60	%90	%90	%90	%90	%90	%90	%90	%90
Restaurants rent (JD /m <sup>2</sup> )	250	250	250	250	250	258	265	273	281	290
Shops rent (JD / m <sup>2</sup> )	80	80	80	80	80	82	85	87	90	93
Restaurants rents (JD)	203,250	406,500	406,500	406,500	406,500	418,695	431,256	444,194	457,519	471,245
Shops rents (JD)	156,096	312,192	468,288	468,288	468,288	482,337	496,807	511,711	527,062	542,874
<b>Total Return (thousands JD)</b>	<b>359</b>	<b>719</b>	<b>875</b>	<b>875</b>	<b>875</b>	<b>901</b>	<b>928</b>	<b>956</b>	<b>985</b>	<b>1,014</b>

## 4. Technical Study

### 4.1 The Designed Project Capacity

The total area for buildings in the market is estimated at 8,130 m<sup>2</sup> divided to:

- The rental area of shops: 6,504 m<sup>2</sup>
- The rental area of restaurants and café shops: 1,626 m<sup>2</sup>
- The following table shows the required areas for the project

**Table 13: the required areas for the project**

Item	Unit (m <sup>2</sup> )
Land m <sup>2</sup>	16,633
Buildings	8,130
External works	2,000

Currently, there is a designated lot of land in the Dead Sea region for such a project and having an area as proposed in the project.

### 4.2 The Required Fixed Assets

The following table shows the required fixed assets resources for the project

**Table 14: the required fixed assets**

Item	Unit (m <sup>2</sup> )	Price (JD / m <sup>2</sup> )	Total (JD)
Land m <sup>2</sup> (rent value)	16,633	5	-
Buildings	8,130	300	2,439,000
External works	2,000	50	100,000
IT			10,000
Other			10,000
<b>Total</b>			<b>2,559,000</b>

\*Numbers are estimated from the market study.

### 4.3 The Required Human Resources

The following table shows the required human resources for the project, where the required number of employees is about 13 employees with total salaries that reaches 74,400 JDs annually.

**Table 15: the required human resources for the project**

Item	Number of employees	Salary (JD / monthly)	Total Salary (JD / annually)	Operational (JD / annually)	Administrative
General manager	1	2,000	24,000		24,000
Accountant	1	700	8,400		8,400
Marketing	1	500	6,000	6,000	
Laborers	10	300	36,000	36,000	
<b>Total</b>	<b>13</b>		<b>74,400</b>	<b>42,000</b>	<b>32,400</b>

The following table shows the general job descriptions of the required position in the project

**Table 16: the general jobs description of the required jobs in the project**

Position	Job description
General manager	Planning, organizing, arranging and monitoring all issues related to the internal management of the market, and contributing in formulating the policy of the market and managing all work related issues. Revising reports that are provided to management analyzing team and studying problems that may appear and providing solutions. Technical and administrative supervision of employees and work to enhance their efficiency, as well as supervising the implementation of vocational health and safety instructions.
Accountant	Proofing accounting operations records and preparing monthly account statements send to customers and suppliers. In addition, auditing and conformance between the bank accounts balances in the records and the statements of these bank accounts.
Marketing	Managing, directing, arranging and monitoring marketing activities inside the market, and putting marketing plans and targets that contributes, to achieving a larger market share, in addition to putting the promotion and advertising plan.
Labors	<p>This position includes:</p> <p>Administrative assistant: offering administrative support including achieving, answering phone calls, recording notes during conferences and supervising logistic and secretarial issues cases.</p> <p>Cleaning labors: continuous cleaning of areas and facilities within the market.</p> <p>Security labors: providing security services to the market, keeping properties and visitors, safe and guarding it from robbery, aggression or the presence of any material or immaterial damages.</p>

#### 4.4 The Required Licenses

The following table shows the required licenses from different entities to establish the project.

**Table 17: the required licenses for the project**

Index	Analysis
Company registration and licensing	<ul style="list-style-type: none"> <li>▪ Ministry of Tourism and Antiques</li> <li>▪ Ministry of Industry and Trade</li> </ul>
Establishing the project	<ul style="list-style-type: none"> <li>▪ Municipality</li> <li>▪ Dead Sea development Zone</li> </ul>
Restaurants classification	<ul style="list-style-type: none"> <li>▪ Ministry of Tourism and Antiques</li> </ul>
Project Operation	<ul style="list-style-type: none"> <li>▪ Chamber of Commerce</li> <li>▪ Income &amp; Sales Tax Department</li> <li>▪ Social Security Corporation</li> </ul>

#### 4.5 Project Time Table

The following table shows the time needed to implement the project which is estimated at 17 months.

Phase	First year (in months)												Second year (in months)				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Studies																	
Approval, Licensing, and company registration																	
Construction																	
Furnishing and Equipping																	
Employment and Commissioning																	
<b>Total Duration</b>	<b>17 Months</b>																

## 5. Financial Study

### 5.1 Financial Assumptions

The following table illustrates the financial assumptions of the project.

**Table 18: The Financial Assumptions of the Project**

Item	Assumption
Inflation Rate	3%
Financing Structure	Equity constitutes 75% of the investment and loans constitute 25%
Interest Rate	9%
Working Capital	3 months of annual cost
Pre-Operating Expenses	JD 55,800
Tax Rate	20%
Exemptions	Fixed assets are exempted from customs and tax exemptions by 40% of the income tax
Cost Of Materials Used In Foods	35% of total revenues
Staff Benefits	25% of salaries
Annual Salaries Increase	5%
Staff Incentives	7% of revenues
Assets Depreciation Rate	4%-20% of the asset value
Rent	JD 83,200
Maintenance Cost	JD 12,800 in the first year, and increases yearly by 5%
It Expenses	JD 5 thousand, and increases yearly by 5%
Stationery	JD 3 thousand, and increases yearly by 5%
Professional Fees	JD 3 thousand, and increases yearly by 5%
Marketing Expenses	JD 3,600
Other Administrative Expenses	JD 5 thousand, and increases yearly by 5%
Other Employees Expenses	JD 10,500, and increases yearly by 25%
Other Operation Expenses	JD 15 thousand, and increases yearly by 5%
Accounts Receivable	4% of revenues
Accrued Expenses	8% of costs

## 5.2 Investment Cost

The project's Investment cost is estimated at JD 2.745 million distributed among fixed assets of JD 2.459 million, working capital and pre-operating expenses of about JD 295 thousand.

**Table 19: the project's investment cost**

Item	Value (in thousand JD)
Fixed assets	2,459
Pre-operating expenses	55
Working capital	240
<b>Total</b>	<b>2,754</b>

## 5.3 Financing

The project will be financed with the shareholders by 75% which is estimated at about JD 2.065 million, while the other 25% of the project investment cost will be financed through bank loans of about JD 688.5 thousand.

The following table shows the financing structure for financing the project, where:

- The interest rate is 9%.
- The loan will be paid during 3 years.

**Table 20: Project financing schedule**

Item	Value (in thousand JD)	%
Equity	2,065.4	75%
Loan	688.5	25%
<b>Total</b>	<b>2,754</b>	<b>100%</b>

## 5.4 Revenues

The following table shows the total revenues of the project, where it is noted that the revenues in the first year amounts to about JD 359 thousand, and increased to reach up to JD 1.014 million in the tenth year.

**Table 21: The Expected Revenues**

Statement	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
areas	8,130	8,130	8,130	8,130	8,130	8,130	8,130	8,130	8,130	8,130
Areas of restaurants and cafes	1,626	1,626	1,626	1,626	1,626	1,626	1,626	1,626	1,626	1,626
Occupancy rate of restaurants	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Areas of shops	6,504	6,504	6,504	6,504	6,504	6,504	6,504	6,504	6,504	6,504
Occupancy rate of shops	%30	%60	%90	%90	%90	%90	%90	%90	%90	%90
rent of Restaurants	250	250	250	250	250	258	265	273	281	290
rent of Shops	80	80	80	80	80	82	85	87	90	93
Total rent of Restaurants	203,250	406,500	406,500	406,500	406,500	418,695	431,256	444,194	457,519	471,245
Total rent of Shops	156,096	312,192	468,288	468,288	468,288	482,337	496,807	511,711	527,062	542,874
<b>Total Revenues – Thousand JD</b>	<b>359</b>	<b>719</b>	<b>875</b>	<b>875</b>	<b>875</b>	<b>901</b>	<b>928</b>	<b>956</b>	<b>985</b>	<b>1,014</b>

## 5.5 The Projected Costs

The following tables show the operating costs and the administrative expenses according to the previous assumption.

**Table 22: Operating Costs**

Operating Costs (in thousand JD)										
Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Salaries	42.0	44.1	46.3	48.6	51.1	53.6	56.3	59.1	62.1	65.2
Staff Benefits	10.5	11.0	11.6	12.2	12.8	13.4	14.1	14.8	15.5	16.3
IT Cost	5.0	5.3	5.5	5.8	6.1	6.4	6.7	7.0	7.4	7.8
Depreciation	101.6	101.6	101.6	101.6	101.6	101.6	101.6	101.6	101.6	101.6
Maintenance	12.8	13.4	14.1	14.8	15.6	16.3	17.1	18.0	18.9	19.8
Rents	83.2	83.2	83.2	83.2	83.2	83.2	83.2	83.2	83.2	83.2
Others	15.0	15.8	16.5	17.4	18.2	19.1	20.1	21.1	22.2	23.3
<b>Total</b>	<b>270.0</b>	<b>274.3</b>	<b>278.8</b>	<b>283.5</b>	<b>288.4</b>	<b>293.6</b>	<b>299.0</b>	<b>304.7</b>	<b>310.7</b>	<b>317.0</b>

**Table 23: General and Administrative Expenses**

General and Administrative Expenses (in thousand JD)										
Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Salaries	32.4	34.0	35.7	37.5	39.4	41.4	43.4	45.6	47.9	50.3
Staff Benefits	8.1	8.5	8.9	9.4	9.8	10.3	10.9	11.4	12.0	12.6
Staff Incentives	1.0	1.0	1.0	1.0	1.0	2.0	3.0	4.0	5.0	6.0
Stationery	3.0	3.2	3.3	3.5	3.6	3.8	4.0	4.2	4.4	4.7
Professional Fees	3.0	3.2	3.3	3.5	3.6	3.8	4.0	4.2	4.4	4.7
Marketing Expenses	3.6	7.2	8.7	8.7	8.7	9.0	9.3	9.6	9.8	10.1
Other Expenses	5.0	5.3	5.5	5.8	6.1	6.4	6.7	7.0	7.4	7.8
Amortization	55.1									
<b>Total</b>	<b>111.2</b>	<b>62.3</b>	<b>66.5</b>	<b>69.4</b>	<b>72.3</b>	<b>76.7</b>	<b>81.3</b>	<b>86.0</b>	<b>90.9</b>	<b>96.0</b>



## 5.6 Projected Financial Statements

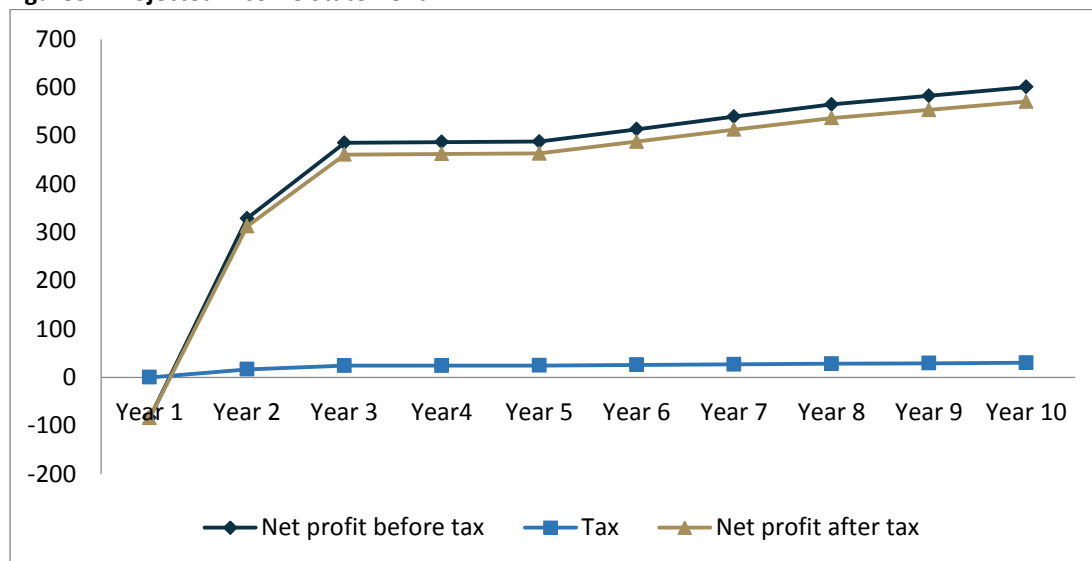
### Income Statement

The following table shows the projected income statement of the project. It indicates that gross profit will increase from JD 89.3 thousand in the first year to JD 697.1 thousand in the tenth year. The net profit before tax in the first year will record a loss of JD 83.8 thousand and then the project will record a profit from the second year to reach JD 601 thousand in the tenth year. The net profit after tax will increase from JD 312.7 thousand in the second year to JD 571 thousand in the tenth year.

**Table 24: The Projected Income Statement**

Income Statement (in thousand JD)										
Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues	359.3	718.7	874.8	874.8	874.8	901.0	928.1	955.9	984.6	1,014.1
Operating costs (cost of sales)	270.0	274.3	278.8	283.5	288.4	293.6	299.0	304.7	310.7	317.0
Gross profit	89.3	444.4	596.0	591.3	586.4	607.4	629.0	651.2	673.8	697.1
Administrative expenses	111.2	62.3	66.5	69.4	72.3	76.7	81.3	86.0	90.9	96.0
Net profit	(21.8)	382.1	529.5	522.0	514.0	530.7	547.7	565.1	582.9	601.0
financial expenses	62.0	53.0	44.0	35.0	26.0	17.0	8.0	-	-	-
Net profit before tax	(83.8)	329.2	485.5	487.0	488.1	513.7	539.8	565.1	582.9	601.0
Tax	-	16.5	24.3	24.3	24.4	25.7	27.0	28.3	29.1	30.1
Net profit after tax	(83.8)	312.7	461.3	462.6	463.7	488.1	512.8	536.9	553.8	571.0

**Figure3 : Projected Income Statement**



### Projected Balance Sheet

The following table shows the projected balance sheet of the project during the first ten years. It indicates that total assets will increase from JD 2.7 million in the year of incorporation to about JD 3.3 million in the tenth year. The Shareholders' Equity will increase from JD 2.1 million in the first year to about JD 3.3 million in the tenth year

Projected Balance Sheet (in thousand JD)											
Statement	Year of incorporation	Year 1	Year2	Year3	Year4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Assets</b>											
Cash	240	147	152	254	395	536	658	818	1,074	1,335	1,601
Receivables	–	90	180	219	219	219	225	232	239	246	254
Total Current Assets	240	236	332	472	613	754	883	1,050	1,313	1,582	1,855
Fixed Assets	2,514	2,514	2,514	2,514	2,514	2,514	2,534	2,534	2,534	2,534	2,534
Cumulative Depreciation	–	157	258	360	461	563	664	766	868	969	1,071
Net Fixed Assets	2,514	2,357	2,256	2,154	2,053	1,951	1,870	1,768	1,667	1,565	1,463
Total Assets	2,754	2,594	2,588	2,627	2,666	2,706	2,752	2,818	2,980	3,146	3,318
<b>Shareholders Equity and Liabilities</b>											
Accrued Expenses and Payables	–	24	24	25	25	25	26	26	27	27	28
Long Term Loans	688	588	488	388	288	188	88	–	–	–	–
Total Liabilities	–	612	513	413	313	214	114	26	27	27	28
Shareholders Contributions	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065
Retained Earnings	–	(84)	10	148	287	426	573	727	888	1,054	1,225
Shareholders' Equity	2,065	1,982	2,075	2,214	2,353	2,492	2,638	2,792	2,953	3,119	3,290
Shareholders Equity and Liabilities	2,754	2,594	2,588	2,627	2,666	2,706	2,752	2,818	2,980	3,146	3,318

### Cash Flow Statement

The following table shows the projected cash flow statement of the project during the first ten years. It indicates that the cash flow from operation will increase from JD 7 thousand in the first year to JD 666 thousand in the tenth year; while the Cash at the ending period will increase from JD 240 thousand in the year of incorporation to JD 1.601 million in the tenth year.

**Table 25: The Expected Cash Flows Statement**

Cash Flow Statement (in thousand JD)											
Statement	Year of incorporation	Year1	Year2	Year3	Year4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Operation Activities</b>											
Net Profit	-	(84)	313	461	463	464	488	513	537	554	571
Depreciation	-	157	102	102	102	102	102	102	102	102	102
Change In Working Capital	-	(66)	(89)	(39)	0	0	(6)	(6)	(6)	(7)	(7)
Cash Flow From Operation	-	7	325	524	565	566	584	608	632	649	666
<b>Investing Activities</b>											
Fixed Assets	(2,514)	-	-	-	-	-	(20)	-	-	-	-
Cash From Investing Activities	(2,514)	-	-	-	-	-	(20)	-	-	-	-
<b>Financing Activities</b>											
Capital (Equity)	2,065	-									
Loan	688	(100)	(100)	(100)	(100)	(100)	(100)	(88)	-	-	-
Dividends		-	(219)	(323)	(324)	(325)	(342)	(359)	(376)	(388)	(400)
Cash Flow From Financing Activities	2,754	(100)	(319)	(423)	(424)	(425)	(442)	(447)	(376)	(388)	(400)
Net Cash Flow	240	(93)	6	101	141	141	122	161	256	261	266
Cash At The Beginning Period	0	240	147	152	254	395	536	658	818	1,074	1,335
Cash At The Ending Period	240	147	152	254	395	536	658	818	1,074	1,335	1,601

## 5.7 Financial, Economic and Social Analysis

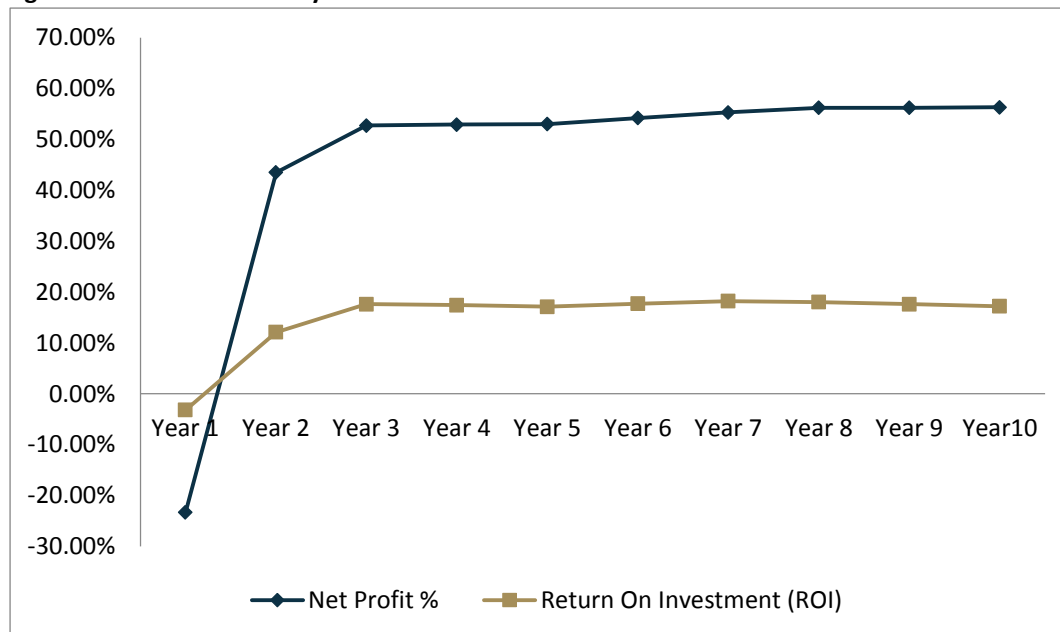
### Financial Analysis

The following table shows the financial analysis of the project. It indicates that the net profit ratio will increase from -23.3% in the first year to 56.3% in the tenth year, and the return on investment will increase from -3.2% in the first year to 17.2% in the tenth year.

**Table 26: Financial Analysis**

Financial Analysis (In Thousand JD)										
Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year10
Assets	2,594	2,588	2,627	2,666	2,706	2,752	2,818	2,980	3,146	3,318
Revenues	359	719	875	875	875	901	928	956	985	1,014
Profits	(84)	313	461	463	464	488	513	537	554	571
Capital (Equity)	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065	2,065
Net Profit %	-23.3%	43.5%	52.7%	52.9%	53.0%	54.2%	55.3%	56.2%	56.2%	56.3%
Return On Investment (ROI)	-3.2%	12.1%	17.6%	17.4%	17.1%	17.7%	18.2%	18.0%	17.6%	17.2%
Return On Capital (ROC)	-4.1%	15.1%	22.3%	22.4%	22.4%	23.6%	24.8%	26.0%	26.8%	27.6%
Net Profit On Revenues	-23.3%	43.5%	52.7%	52.9%	53.0%	54.2%	55.3%	56.2%	56.2%	56.3%
Assets Turnover (Time)	0.14	0.28	0.33	0.33	0.32	0.33	0.33	0.32	0.31	0.31

**Figure4 : The Financial Analysis**



### Economic Analysis

The following table shows the economic analysis of the project during the first five years, we conclude that:

- The Internal rate of return is 19%. It exceeded four times the return on assets, which means the economic feasibility of the project
- The present value of the project reached about JD 2.997 million. It exceeds the investment with JD 2,065 thousand, which means the economic feasibility of the project.
- The profitability index of the project reached 1.45 times, which means that the expected value of the project will increase by 1.45 times the investment value, which proves that the project is feasible.
- The project payback period is 7.2 years.

**Table 27: the Economic Analysis**

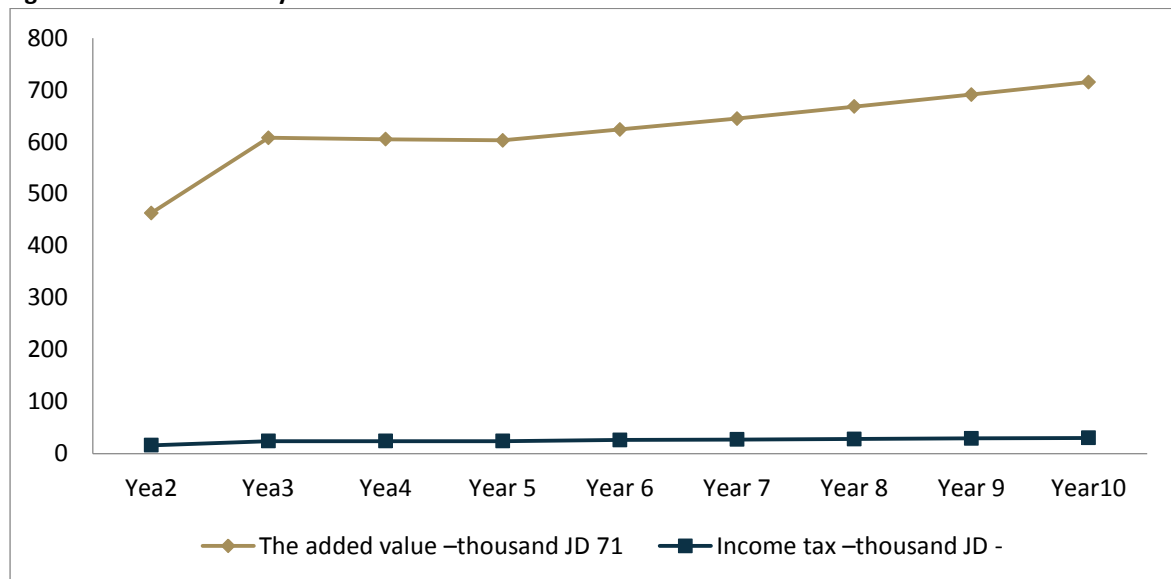
Economic Analysis (in Thousand JD)											
Statement	Year of incorporation	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year10
Net cash flow from operating and investing activities	(2,065)	(93)	225	424	465	466	484	520	632	649	666
terminal value	-	-	-	-	-	-	-	-	-	-	3,290
Net Cash flow	(2,065)	(93)	225	424	465	466	484	520	632	649	3,956
Internal Rate of Return (IRR)	19.0%										
present Value	2,997										
Net present value	932										
Profitability Index (Time)	1.45										
Payback period (Year)	7.20										

### Social Analysis

The following table shows the social analysis of the project. It is noticed that the number of staff required for the project will increase from 13 employees in the first year to 16 employees in the tenth year with an increase percentage 2% yearly. The added value of the project will also increase from JD 71 thousand in the first year to JD 715 thousand in the tenth year. The income tax will reach JD 30 thousand in the tenth year.

Social Analysis										
Statement	Yea1	Yea2	Yea3	Yea4	Year 5	Year 6	Year 7	Year 8	Year 9	Year10
Number of Employees	13	13	14	14	14	14	15	15	15	16
Jordanian employees	13	13	14	14	14	14	15	15	15	16
The added value – thousand JD	71	463	608	605	603	624	645	668	691	715
Income tax – thousand JD	-	16	24	24	24	26	27	28	29	30

**Figure5 : The Social Analysis**



## 6. Risk and Sensitivity Analysis

### 6.1 Risk Analysis

The following table shows the risk matrix analysis that may face the project.

**Table 28: Project Risk Matrix**

Risks	Type of Risks	Risk Assessment
<b>Financial Risks</b>	<ul style="list-style-type: none"> <li>▪ <b>Credit Risk</b> Credit risk represents the risk of the company's financial loss as a result of the customer's default of the contractual obligation or that of the party dealing with the company through a financial instrument. These risks are mainly caused by trade receivables and others.</li> <li>▪ <b>Liquidity Risk</b> Liquidity risk is the risk resulting from the company's inability to meet its financial obligations at time. The company's liquidity management is to ensure as much as possible that the company always maintain enough liquidity to meet its obligations as they become due and payable in normal and emergency conditions without incurring unacceptable losses or risks that affect the company's reputation.</li> <li>▪ <b>risk of currency fluctuation</b> Currency risk is the risk of the fluctuation of the value of financial instrument, due to fluctuations in foreign currency exchange rates.</li> <li>▪ <b>inflation risk</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ The financial risks that may face the company are low, because the company payment method is cash</li> <li>▪ There is no risk of currency exchange, because the company sales and purchases by local currency</li> <li>▪ There is no risk of inflation because the company's pricing is based on a periodic basis</li> </ul>

Risks	Type of Risks	Risk Assessment
	<p>It is the risk associated with the possibility that the inflation or the rise in the cost of living might lead to the decrease the real value of the investment.</p>	
<p><b>Business risk (sector risk)</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Strategic Risk</b> It is the risk resulting from taking bad decisions by the company's management, or implementing the decisions in a wrong way, or not taking the decisions at the right time; which leads to losses or causes loss of alternative opportunities.</li>   <li>▪ <b>Legal and Regulatory Risks</b> These risks are reflected as a result of non-compliance with laws, guidelines and instructions governing the work. Legal risks are caused by the company's break of the laws governing the work in the state in which the company operates. While regulatory risks arise from the company's violation of laws and standards issued by the regulatory authorities.</li>   <li>▪ <b>Reputation Risk</b> Reputation risk arises from influential negative public views which result in great losses of customers or money. It includes the actions of the company's management or its employees which project a negative image of the company, its performance and its relationships with customers and other stakeholders. Reputation risk also results from circulating</li> </ul>	<ul style="list-style-type: none"> <li>▪ The risks are considered moderate before the company's establishment, because of getting the approval of the official authorities such as municipality, health and tourism</li>   <li>▪ Reputational risk is very high, as the company deals with very sensitive issues such as food and beverage</li>   <li>▪ Market risk in the short term will be low because of the low competition from other companies in the governorate</li> </ul>



Risks	Type of Risks	Risk Assessment
	<p>rumors about the company and its activities.</p> <ul style="list-style-type: none"> <li>▪ <b>Competition Risk</b> Competition risk results from domestic and external competitors and reduces sales and profits.</li> </ul>	
<b>Operational Risk</b>	<p>Operational risk involves losses resulting from the failure of internal operations, human resources and systems. It includes:</p> <ul style="list-style-type: none"> <li>▪ <b>IT Risks</b> They are losses arising from downtime or systems failure due to the infrastructure, information technology, or the lack of systems, and any failure or malfunction in the systems. They include: the crash of computer systems, breakdowns in communication systems, programming errors, computer viruses and opportunities losses due to breakdown.</li> <li>▪ <b>Human Resources Risk</b> Losses caused by employees or related to them (intentionally or unintentionally). It also includes acts that are intended as methods of cheating, abusing property or circumvent the law, regulations or company policy by officials or employees, as well as losses arising from the relationship with the customer, shareholders, regulators and any third party.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Operational risks are very low, for the company will contract with specialized technical bodies to develop the required information systems, in order to manage operations</li> <li>▪ Competitive salaries will be paid</li> <li>▪ Information security plan will be put in place to safely keep the company information</li> </ul>
<b>State Risk</b>	State Risk includes politicians'	<ul style="list-style-type: none"> <li>▪ State Risk is considered to</li> </ul>

Risks	Type of Risks	Risk Assessment
	interference, civil unrest, wars, financial and monetary policies and high level of debts.	be low, due to security and political stability; international reports indicate that State Risk is low both in medium and long terms

## 6.2 Sensitivity Analysis

### First: Increase of Investment Cost By 10%

The following table shows the results of the sensitivity analysis when investment cost increases by 10%.

**Table 29: Investment Increase by 10%**

Index	Base	Impact	Change
Internal Rate of Return (IRR)	19.0%	17.3%	1.7%
The Present Value at a discount rate of 13% (in Thousand JD)	2,997	2,996	1
Net Present Value at a discount rate of 13% (in Thousand JD)	932	717.1	215
Profitability Index (Time)	1.45	1.31	0.14
Payback period (Year)	7.20	6.90	0.30
The Net Profit Ratio – an average of 10 years	54.2%	53.5%	0.7%
Return on Investment - an average of 10 years	17.7%	16.0%	1.8%
Return on Capital – an average of 10 years	23.6%	21.1%	2.5%
Net Profit On Revenues - an average of 10 years	54.2%	53.5%	0.7%
Assets Turnover (Time) – an average of 5 years	0.3	0.3	0.0
The added value - an average of 10 years (in thousand JD)	624	624	-0.3
income tax - an average of 10 (in thousand JD)	26	25	0.3
sales tax - an average of 10 years (in thousand JD)	0	0	0

The above analysis refers to the feasibility of investment in the project, in light of the high cost of the total investment of the project, which increased by 10%. It is noted that:

- The internal rate of return reaches 17.3%, which is considered high for investment purposes
- The new payback period is 6.9 years, and it is reasonable for recovery purposes
- The return on capital is 21.1%, which is suitable for investment purposes

**Second: Reducing Revenues by 10%**

The following table shows the results of the sensitivity analysis when reducing revenues by 10%.

**Table 30: Reducing Revenues 10%**

Index	Base	Impact	Change
Internal Rate of Return (IRR)	19.0%	14.5%	4.5%
The Present Value at a discount rate of 13% (in Thousand JD)	2,997	2525.1	472.4
Net Present Value at a discount rate of 13% (in Thousand JD)	932	246.1	685.9
Profitability Index (Time)	1.45	1.11	0.34
Payback period (Year)	7.20	7.90	(0.70)
The Net Profit Ratio – an average of 10 years	54.2%	48.9%	5.3%
Return on Investment - an average of 10 years	17.7%	13.9%	3.9%
Return on Capital – an average of 10 years	23.6%	17.4%	6.2%
Net Profit On Revenues - an average of 10 years	54.2%	48.9%	5.3%
Assets Turnover (Time) – an average of 5 years	0.3	0.3	0.0
The added value - an average of 10 years (in thousand JD)	624	538	85
income tax - an average of 10 (in thousand JD)	26	21	5
sales tax - an average of 10 years (in thousand JD)	0	0	0

The above analysis shows the low sensitivity of the project in case of reducing the revenues or demand by 10%. It indicates that:

- The internal rate of return is 14.5%, which is considered high for investment purposes
- The new payback period is 7.9 years, and it is reasonable for recovery purposes
- The return on capital reaches 17.4%, which is suitable for investment purposes

### Third: Increasing the Operating Costs by 10%

The following table shows the results of the sensitivity analysis when increasing the operating costs by 10%.

**Table 31: Increasing the Operating Costs by 10%**

Index	Base	Impact	Change
Internal Rate of Return (IRR)	19.0%	16.3%	2.8%
The Present Value at a discount rate of 13% (in Thousand JD)	2,997	2819.1	178.3
Net Present Value at a discount rate of 13% (in Thousand JD)	932	540.1	391.9
Profitability Index (Time)	1.45	1.24	0.2
Payback period (Year)	7.20	7.20	0.0
The Net Profit Ratio – an average of 10 years	54.2%	50.4%	3.8%
Return on Investment - an average of 10 years	17.7%	15.4%	2.3%
Return on Capital – an average of 10 years	23.6%	19.9%	3.7%
Net Profit On Revenues - an average of 10 years	54.2%	50.4%	3.8%
Assets Turnover (Time) – an average of 5 years	0.3	0.3	0.0
The added value - an average of 10 years (in thousand JD)	624	596	27.6
income tax - an average of 10 (in thousand JD)	26	24	1.8
sales tax - an average of 10 years (in thousand JD)	0	0	0

The above analysis shows the feasibility of the project in light of increasing the operating costs of the project by 10%. It indicates that:

- The internal rate of return is 16.3%, which is considered high for investment purposes
- The new payback period is 7.2 years, and it is reasonable for recovery purposes
- The return on capital is 19.9%, which is suitable for investment purposes