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JORDAN LOCAL ENTERPRISE SUPPORT (USAID LENS) PROJECT

The Jordan Local Enterprise Support (USAID LENS) Project is made possible by the support of the American people through the United States Agency for International Development (USAID). USAID LENS is implemented by FHI 360.

DISCLAIMER

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

General Information

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Financial Sector Analysis

March 2014

The background of the lower half of the page is a faded, light-colored silhouette of a city skyline. It features various buildings, including a prominent skyscraper on the left and two minarets with domes on the right. The overall tone is light and hazy.

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Acronyms

AFD	Agence Francaise de Developpement
AMC	Ahli Microfinance Company
BDS	Business Development Services
CBJ	Central Bank of Jordan
CGAP	Consultative Group to Assist the Poor
DEF	Development and Employment Fund
EU	European Union
EBRD	European Bank for Reconstruction & Development
FINCA	Foundation for International Community Assistance
FSA	Financial Sector Analysis
G2P	Government to Public
GIZ	Deutsche Gesellschaft fuer Internationale Zusammenarbeit
GOJ	Government of Jordan
IMF	International Monetary Fund
IFC	International Finance Corporation
JCP	Jordan Competitiveness Program
JD	Jordanian Dinars
JEDCO	Jordan Enterprise Development Corporation
JLGF	Jordan Loan Guarantee Facility Program
JPSF	Jordan Postal Savings Fund
USAID LENS	Local Enterprise Support Activity

MENA	Middle East & North Africa
MFI	Microfinance Institution
MFW	Microfund for Women
MOIT	Ministry of Industry and Trade
MOPIC	Ministry of Planning and International Cooperation
MSE	Micro and Small Enterprise
MSME	Micro, Small, and Medium Enterprise
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation & Development
OPIC	Overseas Private Investment Corporation
P2B	Public to Business
P2G	Public to Government
P2P	Peer to Peer
ROSCA	Rotating Savings and Credit Association
SEEP	Small Enterprise Education and Promotion Network
SME	Small and Medium Enterprise
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USD	United States Dollars
WB	World Bank

Executive summary

The USAID LENS Financial Sector Analysis's primary purpose is not to serve as an academic reference document but rather to inform the development of recommended activities and areas of engagement under the USAID LENS project. The approach is to create a "narrative dashboard" that analyses key data, informed by a series of interviews with key stakeholders resulting in an informed set of actionable recommendations supporting access to finance for micro and small enterprises.

The data analyses and stakeholder discussions focused on five core areas in order to provide insight into the development of the USAID LENS A2F project approach and activities. These consisted of:

- An Economic and Financial Sector Overview for Jordan
- Review of Economic Development Programs and Activities
- Descriptive Analysis of the Enabling Environment
- Descriptive Analysis of the Financial Product Providers
- Descriptive Analysis of Potential Demand for Various Financial Products & Services

Key Elements of the Economy and Financial Sector in Jordan

Overall economic growth of 2.7% is not sufficient to raise income levels nor address persistently high unemployment and economic inactivity levels. Of the 3.5 million Jordanians of working age (15-64) only 1.4 million are formally economically active and of those almost 15% are actually unemployed. Economic inactivity is especially high among women, and while part of this is attributable to cultural and social norms, it is exacerbated by the overall lack of employment opportunity for women (only 13% of women are employed in the private sector). In addition, private wages tend to be low (44.6% earn less than 300 JD per month)

There are more than 156,000 registered businesses in Jordan of which 98% employ less than 20 persons (approximately 143,000 employ less than 5 persons and 10,000 employ 5-19 persons). These micro and small enterprises (MSEs) contribute 40% of GDP and employ between 60 and 70% of employees in the private sector. However, most currently engage in low value-added activities such as trade. Therefore supporting the maturation of existing MSEs and encouraging the start-up of new ones, both formal and informal is a key component in any strategy to increase household incomes and address unemployment.

One of the key constraints for MSE growth is access to finance. It is estimated that only 10% of all bank lending is provided to MSEs and given the need for collateral and other guarantees, banks have not traditionally been seen by entrepreneurs as a viable source of business capital. In addition, banks have been reluctant to lend to MSEs given that many don't have the requisite collateral, do not keep formal business records, and do not have a credit history with

the bank. While various donor sponsored initiatives are beginning to address this constraint by establishing loan guarantee programs, providing on-lending for funds for SMEs (so only addressing the higher end of the “small business sector”) and building capacity at banks by providing support and training for specialized SME departments.

The last factor for the lack of bank lending to MSEs is that until now there have been lower risk and often higher return alternatives, so there was no need to enter this market segment. Credit was provided to large companies and the government. With government interest rates declining and the corporate market somewhat stagnant, this constraint may ease in the future.

Microfinance Institutions (MFI) were established specifically to provide access to credit for micro and small enterprises. These loans tend to be small, often do not require collateral and due to high operating costs incurred by MFIs administering a portfolio of small loans interest rates tend to be high (up to 42% APR). Loan products tend to be fairly standard and not customized for particular business types or financing needs (other than loan amount which can range from JD 200 up to JD 70,000). There are currently 7 major providers of microfinance in Jordan with a combined total of 312,000 clients and a portfolio outstanding of JD 123 million (90% and 66% of the microfinance sector respectively). The remaining large player is the Development and Employment Fund (DEF) which has a portfolio of approximately JD 64 million and 30,000 clients.

Review of Economic Development Programs and Activities

There are a large number of programs supporting work to increase access to finance or providing skills training to entrepreneurs at both the national and local levels. The goal of this review was to avoid duplication of efforts and seek out linkages or synergies with other programs and coordinate efforts. Many of the MFIs and some of the banks also support business training for their clients. Given that USAID LENS does not wish to replicate activities that are already receiving support, USAID LENS will not focus on capacity building at the MSE level.

At the institutional level there are a number of programs working with banks to encourage them to provide funding to MSEs and SMEs and providing capacity building and technical support in support of these efforts. USAID LENS will primarily focus on supporting MFIs where there are current capacity gaps either at the MFI or in the type of support the MFIs are receiving.

Enabling Environment

The enabling environment analysis focused on updating the project on the status of the credit bureau, microfinance bye-law and the secured transaction regulation and establishment of a collateral registry. USAID LENS also reviewed issues and opportunities related to mobile payments and business registration.

Credit Bureau

The credit bureau is scheduled to launch in late 2014/early 2015. An initial provider has been selected and it is anticipated that the first participating institutions will be the banks. The credit bureau will fall under the jurisdiction of the CBJ, but will be privately owned by its members. MFIs are expected to begin participating in late 2015, as well as other private and public institutions accepting payments or providing credit. MFIs currently have their own proprietary system that members of the MF Network Tanmeyah contribute towards. The establishment of a credit bureau listing both positive and negative credit history is expected to streamline some loan processing decisions, provide additional information to help overcome the hesitancy of banks to lend to MSEs and will in addition be a tool for managing over-indebtedness.

Regulations and Formal Registration

The draft microfinance bye-law is expected to be issued in 2014. GIZ is providing support for this initiative both in preparation of the bye-law and in building capacity for CBJ oversight of the microfinance sector. The CBJ has indicated it will take a "light approach" to regulatory oversight, emphasizing consumer protection, corporate governance and risk management. The rationale for regulation of institutions that do not mobilize savings is that it will clarify issues as to the status of MFIs as financial institutions e.g. exemption from the 1926 Usury Law that it will insure that MFIs actually implement client protection principles and provide transparency and will serve as a means to avoid the entry of predatory lenders into the sector.

Mobile payment regulations allow for the use of e-money and the e-transactions law is expected to be approved during the current session of parliament. The CBJ is actively promoting the use of e-payments and mobile money through the Jordan Mobile Payment initiative. Therefore there are no foreseen regulatory obstacles for introducing mobile money on a large scale in Jordan (although there are various operational and attitudinal issues).

Business registration has been promoted by reducing fees and capital requirements and Jordan scores fairly well regionally and internationally in regard to the process according to the World Bank Doing Business Report. In 2012 the government introduced a regulation or ordinance to allow for the registration of home based businesses. This regulation stipulates what types of businesses can be registered as well as conditions for registration relating to where in the household business occurs, how it occurs and ensures that the primary purpose of the home remains as a residence.

While non-home based businesses seem to have higher levels of registration, despite the regulation for home-based businesses, registration among microfinance clients appears low. Reasons for this are that trade is not included in the list of permissible activities, requirements to submit paperwork and file taxes and requirements to undergo periodic inspections, without any perceived benefits. Non-homed based businesses primarily register because it is a requirement to obtain larger loans from MFIs and banks.

Secured Transactions

The secured transaction legislation has been approved by the Cabinet and is expected to be approved by Parliament in this session. While it is anticipated that the collateral registry could be functioning by 2014 year-end there are still some operational and financial details (lack of funds for vendor software) that require a resolution. The registry will be overseen by the Ministry of Industry and Trade.

State of Supply

MFIs

Outside of family and friends, MFIs provide the majority of funding for MSEs. There are 7 key providers of microfinance products, as well as the Development and Employment Fund. The seven independent providers currently have 282,000 clients and a portfolio of approximately JD 123 million (90% and 66% respectively, of registered lending to MSEs). Loans may range from JD 200 to JD 70,000 but the vast majority of the current portfolio is comprised of loans whose principle amount is under JD 1,000. Loans are mainly for income generating activities such as trade, services and small scale manufacturing and fairly standard in regard to terms and conditions and tenor. Interest rates range from approximately 15% to 42% (with most being in the higher range) and are most suited for the trading activities that comprise the bulk of MSEs that the MF sector currently serves.

MFIs also do provide some loans for non-income generating activities such as education and health care as well as non-credit products such as term life insurance, training and financial education, etc., but are precluded from offering savings products. There currently exists a lack of product customization and clients have indicated that there are large questions as to the suitability of the products on offer. This lack of customization may be a major driver of the high client exit rates that many MFIs experience.

Banks

There are 26 banks (13 registered Jordanian entities, 9 foreign banks with branches in Jordan, 3 Jordanian Islamic banks and 1 foreign Islamic bank branch), with 714 branches and 84 representative offices. Bank deposits at year-end 2012 totaled approximately JD 25 billion and credit facilities totaled JD 17.8 billion. The loan to deposit ratio in Jordan is considered low by international standards and of the credit provided, only 10% went to MSEs or SMEs.

Traditionally banks have relied on collateral based lending but with support from the international community (WB, AFD, OPIC, etc.) Many banks are now exploring lending to SMEs (and to some extent MSEs). In addition to on-lending funds and guarantees, donors also provide capacity building and technical assistance for the banks to establish SME units. Most lending is still, however for amounts in excess of what most MSEs would require, and in fact can go in excess of JD 1 million.

Insurance, Telecommunications Providers, Jordan Postal Savings Fund etc.

There are currently 27 insurance providers in Jordan with the majority of insurance being for motor vehicles. Twenty-five per cent of the insurance market is for health care and only 9% is for life insurance. The preference for medical insurance over life insurance was also reflected in interviews with current clients of MFIs. There are four telecom providers in Jordan and market cover stands at 155%. While two telecom providers have partnered with four MFIs to pilot using mobile phones for payments, to date the pilots have not been successful. Besides issues related to agent networks, incentives, etc., the main inhibiting factor appears to be a lack of trust and the desire for having a paper receipt for payments.

The Jordan Postal Savings Fund operating through post offices has a large network, but deposits as of 2011 only amounted to JD 22 million and credit facilities of JD 4.4 million. People also participate in jama'iyas or ROSCAs, but do not appear to use them for financing business activities.

Finally there are a number of organizations, besides MFIs and banks providing business development services and training.

State of Demand

Credit

Although the most oft-cited figure for the potential microfinance market is 377,000 persons, this number is probably understated. Given that the current market is defined by mainly survivalist enterprises, there is a question of current product suitability and the desire of MFIs to expand their product offerings and the types of clients they target, USAID LENS estimates that the potential market for MFI clients is in the 500,000 range.

Savings

While many estimate that 75% of all Jordanians do not have a bank account, Jordan does report 898 accounts per adult. Regardless of the actual number of accounts, field research indicates that bank accounts are largely dormant and only used for occasional transactions, rather than as mechanism to accumulate savings. Interviewees indicated they did not use or access bank accounts because they perceive banks to be inconvenient, to have high transaction costs or high minimum balance requirements, and they did not feel they have savings at the end of the month. In some cases interviewees were opposed to receiving interest and declined to have an account on religious grounds.

Given that USAID LENS will primarily be working with MFIs who are precluded from providing savings, it is not anticipated that the project will focus on this area, at least in the near term.

Insurance & Mobile Banking

Field interviews indicated an interest in affordable health insurance products, but very little interest in life or property insurance. While most Jordanians have a mobile phone there was little interest in conducting financial transactions electronically. This is mainly due to a lack of trust in conducting transactions electronically and desire to have a paper receipt for payments.

Conclusions and Recommendations

Given USAID LENS' focus on working with micro and small entrepreneurs, as well as a review of the current enabling environment, key suppliers of financial products and perceived demand USAID LENS has developed a three pronged approach to expand finance to access at the micro, meso and macro levels. USAID LENS will seek to integrate its A2F activities within the overall USAID LENS project framework and construct linkages both internally and externally as appropriate.

Micro

MFIS

- MFI product improvement and new product development for high potential sectors as well as staff capacity building support for new products or markets, potentially would include micro-franchising.
- Linkages with other financial product service providers such as insurance companies
- Assistance in regard to new microfinance bye-law and regulatory compliance requirements
- Improve credit assessment methodology, especially in regard to moving "up market" and into new markets e.g. cash flow and character based lending as well as improving risk management using innovative technologies.
- Exploration of opportunities for linkages or distribution of non-financial products

Meso

Tanmeyah

- Promote linkages and understanding among key stakeholders supporting micro and small enterprises – MFIs, MSEs, the public sector and key donor programs
- Industry level research on consumer borrowing, over-indebtedness, mobile banking, leasing etc.
- Using network to leverage relationships and decrease cost of products or services e.g. network level pricing for an insurance product
- Business cluster analysis

Macro

- Support DEF transition to wholesale lender via assumption of current clients by MFIs
- Work with LED component and government to improve the business registration process and promote enrollment
- Support IFC with roll-out of collateral registry
- Explore development of secondary market for MFI loan portfolios

1 Introduction

1.1 Jordan Economic Overview

In 2012 the Jordanian economy grew by 2.7%, up from 2.6% in 2011, but well below the 6.6% per annum estimated to have been achieved in the period 2000-2008¹ and 4-6%+ estimated to be required to absorb new entrants into the workforce². Nearly 14% of the population resides at or below the poverty line³ (minimum household monthly income of approximately 260 Jordanian Dinar (JD) – for a family of six), and unemployment has been stuck for almost the last decade at a level of nearly 13% (12.2% in 2012) due to behavioral attitudes and structural labor market issues⁴.

Year	GDP(USD)	% Change
2012	31,015	2.7
2011	28,881	2.6
2010	26,447	2.3
2009	23,840	5.5
2008	21,981	7.2
2007	17,111	8.2
2006	15,057	8.1
2005	12,589	8.1
2004	11,411	8.6
2003	10,196	4.2
2002	9,582	5.8
2001	8,975	5.3
2000	8,461	4.3

Approximately two-thirds of the Jordanian GDP is attributable to “services”, with “industry” comprising almost one-third and the remainder (less than 4%) comprised of agriculture. Of the 156,728 officially registered businesses in Jordan, 143,362 employed fewer than 5 persons and 10,454 employed between 5 and 19 persons⁶. It is assumed that most informal businesses also resemble this demographic.

¹ CBJ Annual Report Chapter 1, 2012 www.cbj.org.jo

² Jordan's National Employment Strategy 2011-2020 undp.org CBJ Annual Report Chapter 1, 2012 www.cbj.org.jo

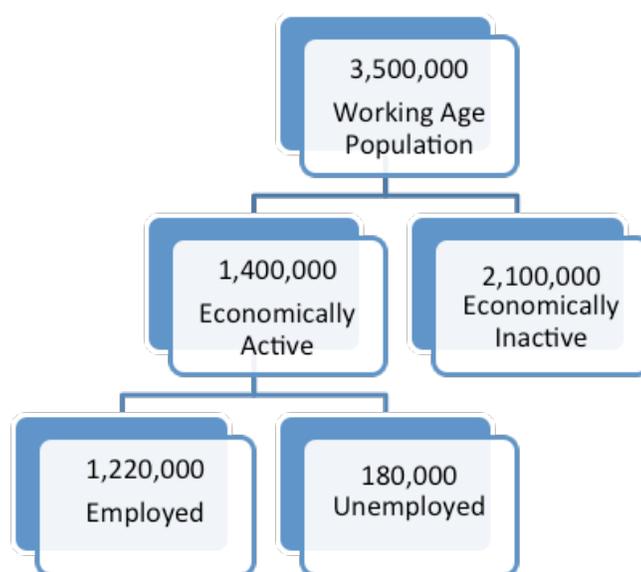
³ CIA World Factbook, estimate for 2012 www.cia.gov

⁴ CBJ op. cit. There is a perception that private business/employment is not as prestigious as government employment nor as lucrative, female participation in the economy is limited due to cultural norms and behaviors and there is a mismatch between the educational system and the skills employers indicate they require for instance.

⁵ Country Economies www.countryeconomy.com/GDP/Jordan

⁶ DoS Census 2011 www.dos.gov.jo

Of Jordan's total population of 6.4 million persons, it is estimated that 3.5 million are of working age⁷. However, only 1.4 million are considered economically active with 1.2 million of those employed and 180,000 seeking employment. Over 2 million persons of working age are not economically active (30% students, 52% females, and the remainder have retired early, etc.) and only 15% of working age females are economically active (1.2 million females with a secondary educational level or lower are not economically active and 180,000 having achieved an educational level of diploma or above are also not actively employed or seeking employment).



Of those who are economically active and actively seeking employment, but unemployed, 75% of females have a diploma or higher level of education, whereas almost 75% of males seeking employment have an educational level of high school diploma or less. The hardest hit segments are youth (15-24) and women, with unemployment rates of 36.1% for 15-19 year olds and 30.1% for 20-24 year olds and female unemployment stood at 20.5%⁸.

The public sector, including government, defense and education, employs more than 400,000 persons. Of those employed in the public sector, 45% are women. In the private sector, only 13% of those employed are female. MSMEs make up 90%+ of all private firms and provide up to 70% of all employment⁹.

Definitions of Micro, Small and Medium Enterprises vary widely. For instance one definition defines SME as having less than 5 employees for micro businesses and less than 20 employees for small enterprises and 20-49 employees for medium size enterprises. In contrast, for the purposes of their programs in Jordan, OPIC and the World Bank define SMEs as enterprises employing less than 300 persons and with assets or revenue below USD 15 million¹⁰. Loans and guarantees under these programs tend to be large e.g. the OPIC facility has an average loan guarantee size of USD 285,000¹¹.

⁷ Persons age 15-64

⁸ Al Bawaba "Jordan's Unemployment Creeps up again" April 8, 2013 www.albawaba.com

⁹ Employment Strategy Report 2011-2020 op. cit. www.undp.org

¹⁰ WB Project Appraisal for MSME Development for Inclusive Growth www.wb.org

¹¹ Hsu Arun, Amman Jordan, February 2014

Regardless of definition¹², MSMEs and particularly micro and small enterprises (MSEs) tend to be “replicative” rather than “innovative”¹³, engaging primarily in low value-added activities such as trade, with one-third of SMEs generating less than JD 5,000 in revenue¹⁴. Consequently the number of employees tends to be low and wages tend to be below JD 200 per month. In fact, 44.6% of all private employees and self-employed persons in Jordan earn less than JD 300 per month¹⁵.

In summary, the Jordanian economy suffers from high levels of both unemployment and economic inactivity and individual income levels are extremely low, often below the poverty line for an average family of 5-6 living on one income. Until recently, state employment has contributed a significant portion of formal employment, however with rising deficits and balance of payment issues, the public sector can no longer afford to serve as a relief valve for the large number of unemployed and/or economically inactive persons in Jordan. Budgetary pressures have been exacerbated by the influx of refugees fleeing the conflict in Syria with the UN stating that there are almost 600,000 registered Syrian refugees in Jordan and an estimated 1.2 million in total, straining resources and municipal capacity¹⁶. Disruptions in the gas supplies in Egypt have resulted in Jordan importing more expensive oil for its energy needs. While the situation has improved somewhat in 2013 e.g. lower state borrowing costs due to international sovereign debt guarantees, removal of petrol subsidies, etc. the state still cannot in the long run afford to serve as the “employer of last resort”. It is not unrealistic to expect that over time the state will look to rationalize its internal employment levels. Given the structure of public employment, women tend to be relegated to the lower levels of administration and it is anticipated that any reduction in public employment will have a disproportionate impact on female employment.

Jordan’s greatest resource is its people, yet this resource is woefully underutilized. Over 10% of its population resides overseas, which provides remittance income, but also deprives Jordan of some of its most educated and productive members of society. USAID LENS is designed to catalyze this entrepreneurial potential at the micro, meso and macro levels with a significant focus on improving financial access in order to increase incomes and value-added employment opportunities. Finance when readily available and properly structured can serve as a catalyst for commerce, and it is with this in mind that the A2F component of USAID LENS is promoting, not only access to capital, but the provision of suitable products and services for the special needs of MSEs in Jordan.

¹² For purposes of this discussion <5 employees is micro and 5-19 is small as this was the most frequent definition used in the various materials studied.

¹³ Jordan’s National Employment Strategy 2011 op. cit.

¹⁴ DoS Census 2011, www.dos.gov.jo

¹⁵ DoS Employment and Unemployment Survey 2012 Annual Report, www.dos.gov.jo

¹⁶ Jordan Times “Number of registered Syrian refugees reaches 585,656” January 20, 2014 www.jordantimes.com & 2014 UNHCR Country Operations Profile – Jordan www.unhcr.org

1.2 Jordan's Financial Sector

Bank Sector Profile

The formal banking financial sector comprises 26 banks or branches of foreign banks with more than 714 bank branches and 84 representative outlets. Deposits totaled JD 25 billion and credit facilities JD 17.8 billion as of December 2012¹⁷. While the loan to deposit ratio is comparatively low by international standards (71%), even more worrying is that only 10% of these credit facilities are provided to SMEs¹⁸. The Central Bank of Jordan (CBJ) has loosened capital adequacy requirements in regard to loans made to SMEs and there are a number of loan guarantee programs and finance facilities promoting lending to SMEs. Yet, a lack of formal financial statements and collateral means that most SMEs, and particularly MSEs, are not able to access finance themselves via traditional, formal banking channels.

Loan Qualification Concerns and Constraints

Commercial banks tend to be conservative and require detailed financial statements, an established business record, collateral of up to 200% of the amount borrowed, and charge approximately 8.5% in interest or more¹⁹. These terms and conditions do not make banks attractive as a source of credit for most MSEs, although the interest rates are considerably lower than most MFI loans. Compounding the dearth of credit available to MSEs, there exist a number of factors that make the MSE market unattractive to banks.

Small loan sizes and a lack of financial statements and collateral make MSE loans more expensive to process, and the lack of formality and collateral create a perception that these loans are far riskier in comparison to loans for large established businesses. Sixty-one per cent of loans are provided to large establishments and most of these loans are secured by real estate as collateral. Most micro and small businesses rent their premises or conduct business from their homes and they are therefore unable or unwilling to pledge real estate as collateral²⁰. Many unregistered and small registered businesses do not have audited financial statements and banks therefore have no means of easily verifying credit history/quality. This situation may be partially addressed with the introduction of a credit bureau in 2014 which will collect and disseminate both positive and negative credit information.

Nascent Development of Bank Lending Capacity and Desire to Lend to MSEs

Macro/meso-economic imperatives tend to skew bank lending away from MSEs. Only a minority of the banks has a dedicated SME department and even those that participate in SME lending facilities sponsored by international organizations still tend to lend to larger and more established firms. Given a possible donor focus on disbursement equating impact, large finance facilities e.g. OPIC Loan Guarantee Program²¹ and the WB Micro, Small and

¹⁷ CBJ Annual Report 2012, Chapter 2 www.cbj.gov.jo

¹⁸ DoS Employment and Unemployment op. cit.

¹⁹ Okab, Fatina, Amman Jordan, February 2014

²⁰ DoS Census 2011, op. cit.

²¹ Hsu, op. cit.

Medium Enterprise Development for Inclusive Growth Project (USD 70 Million facility provided at 1.45% interest to CBJ with a 30 year repayment period and 5 year grace period) can have a tendency to go to larger enterprises in order to easily meet disbursement targets. The WB facility has almost fully disbursed its USD 70 million with an average disbursement per business of more than USD 85,000²².

Low Risk and Attractive Alternatives to MSE Lending

Exacerbating the situation was/is the Government of Jordan's (GoJ) deficits. The fiscal deficit increased by almost 2% from approximately 6.5% in 2011 to 8.5% in 2012 and the current account deficit stood at 18% of GDP in 2012 up from 12% in 2011²³. Borrowing by the GoJ from banks has increased due to the disruptions in natural gas supplies from Egypt and consequent need to purchase more expensive fuel oil for energy production as well as the strains that the Syrian crisis has placed on the economy as Jordan absorbs large numbers of refugees. This in turn results in fewer resources available for on-lending to the private sector. Historically, banks could mobilize deposits and then on-lend to the state at a considerable premium with little to no risk. Rates for the GoJ have come down and the narrowing of spreads may induce banks to more enthusiastically embrace the MSE market and provide funds either directly to MSEs or to MFIs for on-lending to MSEs.

Microfinance Providers

Microfinance Institutions (MFIs) provide an alternative lending facility to banks. Under existing regulations MFIs are prohibited from mobilizing savings. Loans are provided for a number of uses, but primarily income generating activities (although 51.7% of respondents in the Jordan Microfinance Study indicated they had used the loan for personal reasons)²⁴ and range in size from JD 200 up to JD 70,000. Depending on the loan type and duration, interest charges range from 14.5% to 41.7% APR²⁵. There are currently 7 members of the Tanmeyah Microfinance Association and registered members currently serve more than 282,000 clients and have a portfolio outstanding of approximately JD 123 million²⁶, or approximately 90% of the sector clients and 66% of the portfolio outstanding for the sector.

There are also numerous NGOs, that have microfinance components within their overall programs, but for these NGOs, microfinance is not their primary focus and outreach is limited e.g. Jordan River Foundation and Near East Foundation. The Development and Employment Fund (DEF), a government institution, provides grant and credit facilities to small businesses and start-ups. As of 2012 the portfolio outstanding was in excess in of JD 59 million and the DEF was serving approximately 30,000 clients²⁷. DEF also provides wholesale loans to MFIs which comprise another JD 3.5 million of DEF's portfolio-outstanding²⁸.

²² Amaireh, op. cit.

²³ World Bank Jordan Overview September 2013 www.worldbank.org

²⁴ Jordan Microfinance Study 2012 www.mop.gov.jo

²⁵ Ibid Microfinance Market Survey 2012, www.mop.gov.jo

²⁶ Tanmeyah draft of 2013 MF Sector Report, not published

²⁷ Mix Market Country Data, www.mixmarket.org

²⁸ Freij, Abdalla, Amman Jordan, February 2014

1.3 Data Sources & Limitations

Data for the USAID LENS Financial Sector Analysis has relied on numerous studies conducted by the Government of Jordan, donors, and information provided directly by implementing institutions as well as a small sample of clients currently engaged in MSE activity and/or accessing credit designed to support Micro and Small Enterprises. The USAID LENS team has met with senior representatives of all of the members of the Microfinance Network (Tanmeyah) except UNRWA which focuses primarily on refugee communities. It has also met with one mobile service provider (Orange) and donors or representatives of donor programs e.g. GIZ, JCP, CGAP, etc. In addition, the USAID LENS team has also met with senior members of key government ministries involved in the development and promotion of MSEs such as the Ministry of Planning and International Cooperation (MoPIC) (Director of USAID LENS only) and the Central Bank of Jordan (CBJ). To further complete this profile, the USAID LENS team met with clients from the Ahli Microfinance Company and FINCA located in Irbid and East Amman. Please see Annex I for a full list of all meetings.

While attempting to be as comprehensive as possible, the analysis is somewhat limited due to a number of factors. Given the number of donor programs in Jordan, it was impossible to meet with every stakeholder promoting financial inclusion, MSEs, and Jordan's overall economic development. Therefore there was a heavy reliance on desk based research for this initial review. This approach, while informative, does suffer from a number of shortfalls. Many of the documents related to donor or government activities were sponsored by the implementing organizations or their funders and therefore tend to be less objective than a neutral assessment would have been. Given that this review was conducted during the first quarter of 2014, many statistics are also somewhat dated. For instance 2013 externally audited financial statements for banks and to a large extent MFIs will not be available until April or May of 2014 per CBJ requirements and donor reporting requirements. The vast majority of statistics are from 2012 or do not fully reflect developments during 2013.

Data, both official statistics and that derived from other programs, is also to some extent inconsistent. Estimates of unemployment, economic growth, MSME contributions towards job creation, etc. can vary widely e.g. MSMEs are estimated to provide anywhere from 60% to more than 70% of all private sector employment depending on the source. Therefore this report uses the most oft cited figures, with the caveat that there may be some inconsistencies in their calculation. There are also no agreed parameters for estimating market demand for financial services and while a comprehensive list of various donor sponsored activities is provided in Annex-3 of this report, very little objective information on the efficacy of these programs is available. While the Department of Statistics and others do provide data on formal businesses in Jordan, there is almost no data on informal businesses.

There were also some difficulties in accessing data due to the fact that the material was only available in Arabic. This issue will be resolved going forward as the USAID LENS team ramps up its hiring and project capacity.

Given the nascent nature of the USAID LENS project and its focus on facilitating increased income generation and financial inclusion, rather than direct funding of implementing organizations, certain information considered confidential is not available. While Tanmeyah is willing to provide sector level data for instance, confidentiality agreements with member institutions preclude it from providing up to date financial and impact data on an individual member basis. Not all key government stakeholder meetings at an operational level have taken place.

Sector analysis is currently being conducted by the USAID LENS MSE component. Most loan clients are described as participating in “commerce”. However, this is the English translation of *tijara*, which more accurately would be described as “trade”. Trade can be and is an integral part of most sectors, but does not necessarily constitute a “sector” in and of itself. The challenge will be to further analyze these activities and promote higher value-added activities and greater integration into sectors where Jordan has a comparative advantage and higher barriers to entry. The informal nature of most MSE activities also means that much of the activity is not captured in official statistics and what data is available is often a rough estimate. As part of the USAID LENS project, it is therefore recommended that sector data be supplemented with first hand source data.

Finally, as client interviews were facilitated by the MFIs, the question of selection bias arises. MFIs are keen to present the most positive picture and interviewees tended to have established and successful businesses. Experience with micro-finance is that this often is the exception, rather than rule and further research into the needs, activities and challenges of less successful clients or non-clients will be required.

2 Donor A2F and MSME Support to MSMEs

Annex 3 provides a matrix of 49 recent or current donor programs working to increase access to finance or providing skills training for entrepreneurs. At the local level there are numerous programs supporting entrepreneurs with skills training and in some cases access to finance. This would be in addition to skills training that many of the financial institutions provide to their MSE or SME clients. Therefore USAID LENS will not focus on capacity building at the MSE level.

At the financial institution level, the primary focus of most donors has been on encouraging banks to lend to start-ups and SMEs (but generally not micro or smaller businesses). As the MFIs have matured, most donor funding, where available, is for on-lending funds rather than product development or innovative outreach and delivery strategies. Therefore USAID LENS will focus on supporting MFIs and their MSE clients and not on SME programs at banks. A major component of this support will be in the area of product innovation and development which is fully aligned with Strategy Priority (C): Spurring Market Expansion and Innovation in the Action Plan for implementing the Jordanian National Policy Framework for Microfinance. USAID LENS will also look to provide support for MFI support structures such as the Jordan MF Network “Tanmeyah”. This activity is also a priority under the afore-mentioned action plan²⁹.

At the national enabling environment level IFC, GIZ, and others are providing support to the GoJ and the CBJ in particular with initiatives such as the development of a credit bureau, creation of a Microfinance By-Law, transformation of DEF into a wholesale lender, etc. USAID LENS will certainly support these efforts but would be a contributing partner at best. USAID LENS will of course work with the LED component as part of an enabling environment initiative wherever possible.

²⁹ Action Plan for Implementing The Strategic Priority Areas identified Under the Jordanian National Policy Framework for Microfinance: Towards Inclusive Finance (June 2011) www.mopic.gov.jo

3 Enabling Environment

3.1 Credit Bureau

The IFC has been supporting the efforts of the CBJ to develop the basic regulations and requirements for a centralized data bank structure that will serve as a record of business undertakings and verification of creditworthiness. The credit bureau is supervised by the CBJ and activities are governed by the Credit Information Law number (15) for the year 2010. The initial provider has been selected and it is anticipated that the roll-out will occur in 2014. Banks will be required to report to the credit bureau and prior to approving credit, the banks will be required to make an inquiry at the credit bureau. The credit bureau will be owned by its members i.e. banks and other investors and no entity may have more than 5% of the shares³⁰.

Tanmeyah members have a proprietary network for sharing limited lending data among themselves. Members use the network to verify creditworthiness and as a preventive measure against over-indebtedness³¹. MFIs will report to the credit bureau, but a transition period will be required due to technical considerations. It is anticipated by the CBJ that MFIs will begin participating in the credit bureau sometime in 2015³².

3.2 Regulations

i. Draft Microfinance Regulation

To date, MFIs and other non-bank institutions have not been regulated. Some operate as for profit entities, others as not for profit entities and depending on their corporate governance structure, are registered with an array of different ministries, including the Ministry of Industry and Trade and the Ministry of Social Development. The draft Microfinance Regulation currently being developed by the CBJ, with support from GIZ will bring all MFIs under the supervision of the CBJ. While internationally, there is some debate as to whether a Central Bank should prudentially supervise non-deposit taking institutions, the CBJ willingness to oversee microfinance activities is seen by most stakeholders as a positive development. It is anticipated that the CBJ will take a “lighter” approach towards supervision than it currently takes in regard to banks, with an emphasis on consumer protection, corporate governance, reporting and risk management³³. In addition to supporting the draft regulation, GIZ will also provide capacity building and technical support for a dedicated microfinance supervisory unit at the CBJ³⁴.

³⁰ Sultanov, Murat, Amman Jordan, March 2014

³¹ Nammeri, Saleem, Amman Jordan, January 2014

³² Amaireh, Mohamad, Amman Jordan, February 2014

³³ Amaireh, op. cit. Ibid

³⁴ Rahn, Thomas, Amman Jordan, February 2014

Anticipated benefits from the regulation include more clarity as to the financial sector status of MFIs e.g. it is unclear if MFIs are in violation of the Civil Procedural Law of 1988 and the Usury Law of 1926 that establish interest rate limits for organizations that are not banks or “financial institutions”³⁵. Regulations will also help to insure that MFIs are transparent in their lending practices and adhere to client protection principles. It should also preclude the entry of unscrupulous or predatory lenders.

As recognized financial institutions, MFIs may also be able to negotiate slightly better deposit rates at banks, as their funds should not be subject to deposit insurance (currently 25 basis points on all deposits with a coverage limit of 50,000 JD).

ii. Mobile Payments Regulation and Home-based Business Regulation

The final Mobile Payments Regulation is pending approval, according to a legal advisor who works closely with the CBJ³⁶. The e-transactions law is being discussed during the current parliamentary session and it is hoped that it will be approved and signed into law shortly. The CBJ is supporting mobile wallets as part of its Jordan Mobile Payment project³⁷. In addition, the CBJ has contracted with Madfoo3atCom to install software that will allow “citizens to settle their private sector and government bills on-line” through ATMs, mobile or internet banking. This program is called eFAWATEERcom³⁸. The CBJ is also supporting the development of a central “switch” which will allow for interoperability between mobile providers.

iii. Small Business Registration and Laws Impacting Registered Businesses, including home-based businesses

There are currently more than 155,000 registered businesses in Jordan, of which it is estimated approximately 98 are MSEs (less than 20 employees). Recent changes have made it easier to register a business by lowering the capitalization requirement (1 JD) and the associated fee for registration (1 JD). The process entails 7 steps in Jordan and the MENA average is 8 procedures and the OECD average is 5. Steps include activities such as opening a bank account, registering for a tax ID and VAT, a municipal business inspection, etc. The process in Amman takes on average 12 business days. This is slightly higher than the amount of time required in OECD countries (11.1 days) and considerably less than the average for the MENA region (19.8 days)³⁹.

According to the CBJ Annual Report 2012, in order to “minimize the levels of poverty and unemployment, and to encourage female participation, particularly housewives, as well as to stimulate micro enterprises, instructions have been issued to license practicing occupations at houses for 2012 by the virtue of Article (6) in The Amman Occupation Licensing Law No. (20) for 1985”⁴⁰.

³⁵ Yancura, John, Amman Jordan, February 2014

³⁶ Abbassi, Alaa, Amman Jordan, January 2014

³⁷ Mobile Payments Today, “Central Bank of Jordan plans mobile wallets” January 9, 2014 www.mobilepaymentstoday.com

³⁸ Jordan Times February 11, 2014 “Central bank inks deal for service to pay bills online” www.jordantimes.com

³⁹ Doing Business Report 2014 data for Jordan www.doingbusiness.org

⁴⁰ CBJ Annual Report 2012 Chapter 1, www.cbj.gov.jo

This regulation or ordinance was enacted in 2012. It establishes the requirements for a home-based business to be registered and also defines the types of permissible activities. The law permits “intellectual careers” e.g. consulting, auditing design, etc. as well as the production of certain crafts and the processing of particular types of food. The law also requires inspections, prohibits advertising and the hiring of employees for work that occurs within the household and prohibits in certain cases the display of products and any alterations to the structure of the building except where required to meet standards established in the regulation.

While small businesses tend to be registered, most home-based and micro businesses are not. There are several factors contributing to informality. Besides the restrictions in the current regulation precluding the vast majority of current microfinance clients from registering (they are engaged in trade or other activities that are not listed as being eligible for registration, there is a perception that the process is complicated and that by registering they will have to file tax returns pay Social Security Corporation fees (11% of all worker earnings) and will be subject to inspection. There is also a lack of awareness of the process. These obstacles to registration are consistent with those found elsewhere in the world⁴¹. Tax rates for companies are set at 14% of profits, and given that most micro-businesses do not maintain formal profit/loss statements it would be difficult to file taxes even if they were inclined to do so. However, top tax rates for businesses are expected to rise to 35%, with a possible exception for SMEs which would be taxed at 15%. This would be a slight increase for registered businesses and will further reduce the incentive for businesses to formally register with the government.

Besides the issues in relation to an MSE registration, there is also little to no benefit provided by registering a micro-enterprise. For small businesses, there is an incentive in that they may benefit from government supported business development programs and registration is usually required by both MFIs and banks for accessing larger loan sizes.

Alaa Abbassi, an attorney and an advisor to CGAP and the CBJ, indicates that currently there are no laws relating to leasing or ijara. IFC did assist the GoJ with developing a leasing law in 2005, but apparently it was never approved. According to another source there is a temporary law developed by the MoIT, but the IFC indicates many firms have been reluctant to enter into leasing arrangements due to a lack of legal clarity, particularly in regard to taxation.

This issue requires further investigation as a large number of banks have either dedicated leasing departments and products or have established a separate leasing subsidiary e.g. Jordan Kuwait Ejara, Jordan Ahli Finance Leasing Company, etc.

⁴¹ UNDP report “The Panoramic Study of the Informal Economy in Jordan, August 2012” www.mop.gov.jo

3.3 Secured Transactions

In addition to supporting the creation of a national credit bureau, the IFC is also promoting the development of a secured transactions registry for both immobile and mobile property. The collateral registry/secured transactions law was adopted by the Cabinet in January and is expected to be approved by Parliament in this session. It will be housed and overseen by the Ministry of Industry and Trade. There will be a flat and reasonable fee for various transactions e.g. register, de-register, inquiry, etc.

As many small and micro-businesses rent their premises, most do not have property to pledge as collateral and most of the business value is comprised of stock, machinery etc. The secured transactions registry should allow for a variety of options in regard to collateral and hopefully reduce one of the many obstacles that MSEs face in obtaining financing. The IFC has some doubts about the short-term impact in regard to banks' willingness to broaden the definition of acceptable loan conditions as their thinking is still very much "collateral-based" in regard to extending credit⁴².

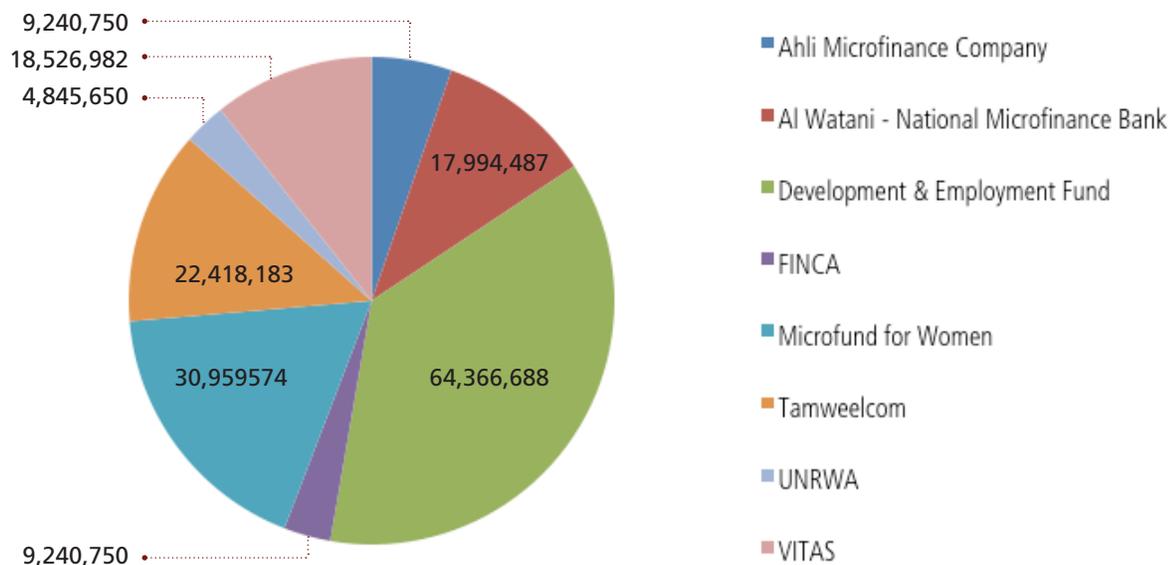
⁴² Sultanov op. cit.

4 State of Supply

4.1 Microfinance Institutions

The formal microfinance sector for purposes of this analysis consists of the seven MFI member organizations of Tanmeyah and the Development and Employment Fund (DEF), which is an agency of the GoJ. These eight institutions provide credit in the amount of JD 200-70,000, primarily to micro and small enterprises. The current number of clients exceeds 312,000 borrowers and the total portfolio outstanding is in excess of JD 187,000,000. Most borrowers, similar to the demographic profile of Jordan, are located in urban areas (80% of all SMEs and 70% of all employment is in Amman, Zarqa and Aqaba)⁴³.

MFI Market Share by Portfolio (JD)⁴⁴



Of the total 282,000 clients (DEF has an additional 29,000 clients not reflected in Tanmeyah's figures) served by Tanmeyah members, 192,000 (or almost 70%) are located in Amman, Zarqa and Irbid alone. Females continue to comprise the vast majority of microfinance clients (ranging from 30% at 99% per institution and an average above 80% for the sector), due to the developmental nature of most microfinance institutions and their origins as organizations having a strategic focus on improving household incomes via outreach to females. Average loan sizes tend to be small for home-based businesses and group loans, which comprise a large portion of most MFIs' portfolios. DEF and VITAS have larger average loan sizes and VITAS does not offer a group lending product.

⁴³ HDR op. cit.
⁴⁴ Mix Market Country Data, op.cit

The following table provides a brief profile of the seven Tanmeyah members as well as DEF and is based on data from the Tanmeyah network (2013) as well as information reported to the Mix Market. It should be noted that Mix Market data is slightly more dated than sector figures provided by Tanmeyah and that Tanmeyah does not break out performance data by individual institution. In addition the Mix Market data is not consistent in regard to individual MFI reporting periods. However, most data is not older than 12/31/2012. Figures are provided for comparative purposes rather than as exact current nominal statistics.

Formal Microfinance Institutional Profiles (as of 12/31/2012)

MFI Name	# of Clients	Portfolio Outstanding (JD)	PAR>30	Operational Sustainability	# of Branches	Female Clients	Products
Ahli Microfinance Company	19,881	9,240,750	Not Available	Not Available	15	Not Available	Loans for home-based and individual business from 200-50,000 JD.
Al Watani - National Microfinance Bank*	37,420	17,994,487	0.75%	Not Available	11	91.00%	Loans for home-based and individual business from 200-15,000 JD, vehicle loans and educational loans.
Development & Employment Fund	29,245	64,366,688	2.84%	Not Available	12	66.00%	Start-up, home-based business, business, and educational loans from 2,000-50,00 JD. Group Business Partnership Loans up to 100,000 JD.
FINCA	15,416	5,394,641	0.71%	Not Available	8	97.00%	Group & individual loans up 5,000 JD, as well as Islamic loans (murabaha).
Microfund for Women*	97,914	30,959,574	0.89%	Not Available	45	96.75%	Group & individual business loans from 200-10,000 JD. Small loans available vehicle repair, school fees and costs associated with pregnancy.
Tamweelcom*	65,538	22,418,183	0.49%	Not Available	27	Not Available	Group & individual business loans, from 200-25,000 JD, as well as loans for solar heaters, vehicle maintenance, home improvement, etc.
UNRWA	10,022	4,845,650	6.28%	1.1741	6	35.30%	Home-based and small business loans, home improvement, health and education loans.
VITAS	19,331	18,526,982	0.57%	Not Available	15	66.00%	Individual and family loans from 100-50,000 JD.

*Reporting through 9-3-2013 ⁴⁵

⁴⁵ Mix Market Country Data, op.cit

A significant portion of lending is for trade, such as purchase of new and used clothing for resale in the Jordanian market. The second largest business component is services, for example hair salons, automotive repair, food production/retail sales, or tailoring. The remaining businesses are engaged in a variety of manufacturing activities such as small-scale furniture production, embroidery and handicrafts.

While traditionally, microfinance institutions have focused on micro-enterprises, most are now looking to diversify their portfolio by increasing the percentage of their portfolios comprised of micro-enterprises that have moved beyond the “survivalist stage” and small enterprises. Most MFIs indicated that this diversification is in response to client demand and while they will increase small business lending, they intend to still provide a majority of credit products to their more traditional micro-enterprise market.

In addition to credit, many MFIs offer business training and support services, access to insurance or insurance related programs, as well as loans to address housing and lifestyle events e.g. home improvement, marriage or pregnancy loans, and in some cases financing for the Haj or Umrah⁴⁶. FINCA offers an Islamic loan product, which management indicates comprises 1% of their portfolio and they are considering whether to discontinue this product⁴⁷.

Jordan’s microfinance sector has been relatively successful in reaching previously underserved populations in Jordan, but there has been little innovation in regard to product development and diversification⁴⁸. The relative success of the MFIs has provided little incentive to innovate up to now. As the market becomes more competitive this is beginning to change. The lack of product variety means that financing needs are not being met, the potential market size is reduced, and that clients may be accessing loans that are less than optimal in regard to business need or purpose. One consequence of this may be the high client exit rates (40% or more) experienced by many MFIs. Greater customization of loan products for particular business types recognizing different capital, tenor and cash flow requirements, as well as differentiated pricing, would not only broaden the potential market, but likely increase impact and client retention.

MFIs are precluded from providing savings services and there seems to be only limited interest in linking clients with institutions permitted to mobilize savings. Interviews with donors and the CBJ indicate that the CBJ is not prepared to consider allowing MFIs to intermeditate savings in the foreseeable future.

⁴⁶ Tanmeyah website, www.tanmeyah-jo.org, and individual MFI websites

⁴⁷ Yancura, John, Amman Jordan, January 2014

⁴⁸ Nasereddin, Mustafa, Amman Jordan, February 2014

4.2 Banks

Although the banking sector consists of 26 banks (13 registered Jordanian entities, 9 foreign banks with branches in Jordan, 3 Jordanian Islamic banks and 1 branch of a foreign Islamic bank) for purposes of MSME lending, focus will be on Jordanian banks, as they are the primary institutions providing credit to smaller institutions, however limited it may currently be.

The top three Jordanian banks based on assets, deposits, and loan portfolio are Arab Bank Group, Housing Bank for Trade and Finance and Jordan Ahli Bank. Arab Bank Group is responsible for 50% or more of Jordanian bank assets, loans and deposits. Housing Bank comprises 15% of Jordanian bank assets, 16% of deposits and 13% of loans. Jordan Ahli Bank is a distant third with assets at 5%, deposits at 6% and 6% of loans outstanding⁴⁹.

Deposits at year-end 2012 totaled JD 25 billion, primarily provided by the private sector (over 80%). No figures for the number of accounts or percentage of banked vs. unbanked percentages are available from the CBJ or other official websites.

Given that interest rates on demand deposits and savings accounts are below 0.77%⁵⁰, demand for savings seems limited. Interviews indicate that MSEs have access to bank accounts, but they are largely dormant and only activated for use in facilitating payments. Minimum balance requirements (JD 200) transaction fees and lack of convenience, among other factors discourage MSEs from using formal savings products. A number of sources indicate that 75% of adult Jordanians are “unbanked”, but the National Policy for Microfinance indicates there 898 bank accounts per every 1,000 adult Jordanians and all clients interviewed in Irbid and the majority in East Amman had bank accounts. Regardless of the number of accounts, efforts are required to make them a more valuable component of the financial inclusion strategy.

A number of banks currently offer varying products and services appropriate for the SME (and to some extent MSME) markets and participate in a number of facilities sponsored by the international development community. Arab Bank, Cairo Amman Bank, Jordan Ahli Bank and the Housing Bank for Trade & Finance have signed agreements to participate in the OPIC sponsored Jordan Loan Guarantee Facility which provides loan guarantees of up to 75% for businesses located outside of Amman and 60% for those in Amman. This USD 250 million facility is designed to encourage SME lending which banks consider to be high risk. The current portfolio at the Jordan Loan Guarantee Facility is approximately 70 loans with coverage of USD 20 million⁵¹.

In June of 2013, the World Bank’s (WB) Micro, Small and Medium Enterprise Development for Inclusive Growth Project went into effect. This facility provides a 30 year, 5 year grace period, low cost loan (1.45% p.a.) in the amount of USD 70 million to the CBJ for on-lending to banks serving the MSME sector. These loans may be lent either directly to entrepreneurs or further on-lent to MFIs for their portfolio credit requirements. As of September, 2013 the World Bank was reporting that almost USD 50 million had been disbursed.

⁴⁹ Al-Basha, Tariq “Jordan Commercial Banking Sector Ranking as of June 30, 2013” 2013 sector report”, www.slideshare.net/TariqAlBasha/jordan-commercial-banking-sector-ranking-as-of...

⁵⁰ CBJ Annual Report Chapter 1 op.cit.

⁵¹ Hsu, op. cit.

In order to maintain alignment with OPIC's definition of MSMEs, businesses with less than 300 employees and assets or sales below USD 15 million are designated as qualifying MSME enterprises under this project⁵². The terms offered to the twelve participating banks are six month Libor+1.8% and loans are for 15 years in order to encourage longer tenor loans for SMEs.

Agence France du Developpement (AFD) is also making available a "Green Credit Line" for bank lending for environmentally efficient or friendly projects⁵³. Currently both Capital Bank and Cairo Amman are participating in this project. The facility size is Euro 40 million, and Capital Bank's eligibility requirements and program information Annex, indicate that loans can be up to JD 5 million⁵⁴.

All of these programs include a capacity building and technical assistance component to assist banks in serving and assessing SME loan requests, via innovative means other than collateral and formal financial statements. AFD is assisting its partners to understand specialized businesses involved in clean/renewable energy or environmentally friendly activities

4.3 Insurance

There are 27 insurance companies operating in Jordan (Gerasa Insurance underwent voluntary liquidation in 2013). 16 companies provide both life and general insurance, 11 only provide general insurance and 1 provides life insurance only. According to the Insurance Commission report on the financial status of the sector, insurance companies had written premiums totaling JD 466.4 million in 2012, up 7.9% from the previous year. While motor vehicle insurance accounted for the largest share of insurance premiums, approximately 25% of the insurance market was related to medical insurance and approximately 9% life insurance⁵⁵. Exact numbers of insured persons by category are not available and the vast majority of those accessing health care insurance are formally employed either by private enterprises or the government. Informal workers and those who are not employed may apply for assistance with medical bills and treatment, but assistance from state social funds is not systemized.

Most microfinance clients interviewed did not have insurance for themselves, their businesses or their employees. When asked whether they would be interested in insurance those that replied in the affirmative showed a preference for medical insurance over life insurance for themselves and/or their family members.

⁵² Project Appraisal WB, op.cit

⁵³ Jordan Times, "French grant to support environment protection", January 22, 2014 www.jordantimes.com

⁵⁴ "Capital Bank Green Credit Line Eligibility Requirement" www.jordannetwork.net

⁵⁵ Insurance Companies Business in Jordan Financial Report 2012/Annual Report www.irc.gov.jo

4.4 Telecommunications Providers

Currently there are four mobile telecommunications providers in Jordan. Zain has approximately 3.3 million subscribers (37% market share), Orange is second with 3.21 million subscribers or 36% of the market share and Umniah comprises a large portion of the remaining 27% of the market⁵⁶. Given the size of the Jordanian population, obviously a number of individuals have multiple accounts e.g. a Zain and an Orange account to take advantage of multiple promotional offers.

While a number of institutions that the USAID LENS team spoke with have piloted loan repayments/use of mobile money (AMC and FINCA with Orange and MFW and Tamweelcom with Zain), to date these efforts have not been successful. Interviews with financial institutions, Orange and microfinance clients indicate a number of reasons for this.

The USAID LENS team met with Sammy Tuffaha, Marketing Manager for Orange Money, to discuss Orange's experience with mobile money, and the pilots at AMC and FINCA in particular. Mobile banking is USSD based so anyone with a cell phone can transact via the current providers (no smart phone required).

Orange envisioned people paying municipal bills, repaying micro-fund loans and ultimately paying vendors directly. The original pilot with 70 Orange shops and 300 agents was not successful. There wasn't a properly weighted value proposition for either the agent/vendor or the client. In addition there were some technical issues to be resolved e.g. original software required that client information be input in English rather than being bilingual (this issue was recently resolved), no IVR application and infrequency of transactions meant that clients often forgot how to conduct transactions, passwords, etc.

At a sector level, interoperability between telecoms providers is pending, but anticipated to be in place in 2014 and the e-commerce legislation is still pending in Parliament. Mr. Tuffaha also admitted that in addition to uncompetitive agent commissions, that the agent's skills were not fully developed so as to adequately assist clients and promote the product. Orange is in the process of overhauling their distribution strategy and will re-launch mid-2014.

At the MFI and bank levels, there were a number of issues for a lack of uptake by their clients. Where loan officers were promoting the product, there were often inadequate or non-existent incentives, and where the loan officer was responsible for individual client registration vs. bulk registrations, this created additional work for the loan officer.

AMC did conduct bulk sign-ups for its clients and avoided some of these issues. All three financial institutions indicated that there were problems related to the agent network, both availability and quality of service, and sometimes a significant difference in expectations regarding the service and marketing relationship existed between MFIs and telecoms providers.

⁵⁶ Friend-e just recently commenced operations in Jordan and no figures on market share are available for it.

By far, the most intractable obstacle to use of mobile money by the general public and among MFI/bank clients is a lack of familiarity and trust in the system. First and foremost, clients want a receipt as proof that a payment has been made or received. Even with extensive education and promotion among FINCA clients, participation was abysmal and declined with each passing month.

Orange and the financial institutions have indicated they believe that they have learned several important lessons from the pilots (often more in terms of what not do, than what to do) and are willing to consider re-launches or new pilots. They feel that there needs to be more coordinated action at the macro, meso and micro levels. Educational campaigns need to be conducted as broadly as possible and by all players including the CBJ. Expansion of use and convenience via G2P, P2G, P2B and less so P2P payments, would educate people on the practicalities of mobile banking and reassure them as to the soundness of the transaction process. In addition, everyday use, versus monthly payments will also help to overcome the public perception issue and make mobile transactions “a habit”. Finally, agent networks require further investment and expansion to facilitate further use and reassure customers through regular cash-in/cash-out transactions.

The general perception is that widespread use of mobile money is a long-term prospect and participants need to invest in overcoming obstacles, providing a value added proposition to both users and providers and have a perspective of five years or more before wide-spread use becomes accepted⁵⁷.

4.5 Jordan Postal Savings Fund/ROSCAs

Working through partnerships with post offices and agents, the Jordan Postal Savings Fund (JPSF) under the administration of the Ministry of Information and Communication provides both savings and credit products to the general public. Despite the large “foot print” of the postal network, the JPSF reported only JD 22 million in deposits and JD 4.44 million in loans as of 2011 (the latest annual report available)⁵⁸. Interviews indicate that capacity is fairly low and the JPSF is not perceived as an efficient or effective financial services provider by the sector or general public. Postal bank networks have been effective in other countries as a means to increase financial inclusion, promote savings and expanding provision of credit where formal financial service providers are not present, but given that there seems to be extensive capacity shortfalls, the amount of support required to make the JPSF more efficient and effective is beyond the scope of what USAID LENS could or should do.

⁵⁷ Tuffaha, Sammy, Amman Jordan, February 2014

⁵⁸ Jordan Postal Saving Fund Annual Report 2011, www.jordanpost.com.jo

ROSCAs or Rotating Savings and Credit Associations are a popular savings methodology in many parts of the world. In Jordan they are known as jama'iyas, and basically involve a group of persons committing to contribute a certain amount per month (or other agreed interval) with one member receiving the total contributions per payment cycle. After all members have received a payment, the ROSCA members may start a new cycle or choose not to participate further. Research indicates that while jama'iyas are popular they are not used in Jordan for financing business activities. In addition, ROSCAs as informal savings mechanisms have their disadvantages as they can be subject to fraud, lack of payment by all members, limited size of funds available at each payout, etc.

4.6 Non-Financial Services

As evidenced by the donor table and previous citations in this analysis there are a large number of organizations providing non-financial support services to financial institutions and MSMEs in Jordan. Many donor financing facilities include components for technical assistance and capacity building. The AFD, EU, EBRD, IFC, JLGf and WB financing facilities all have various TA components in addition to the provision of funds for financing SME initiatives. These programs tend to target banks down-scaling to meet the credit demands of SMEs.

Many MFIs and banks also offer support or programs for starting a business, expanding a business, etc. Housing Bank for Trade and Finance has a training program for clients based on client need⁵⁹, Capital Bank recently launched the Integrity initiative for SME development⁶⁰ and numerous MFIs provide in-house and outsourced training for clients.

In addition there are a large number of donor, NGO and private programs providing support for nascent businesses or start-ups, with many focusing on youth. These include IRADA, Employment, Technical and Vocational Training Fund, Jordan-Canada Partnership for Youth Employment, EBRD Small Business Support Program, JEDCO, Jordan River Foundation, Near East Foundation, Noor Al Hussein Foundation, SABEQ (particularly support for business associations), USAID INJAZ III and USAID Youth: Work Jordan, BDC, etc.

It is readily apparent that there are numerous providers supporting capacity building and technical assistance, particularly for aspiring or existing MSME entrepreneurs, as well as the institutions providing them access to finance. There may be an opportunity to link these programs with MFIs or other financial institutions, but there is little need for USAID LENS to provide business development services.

⁵⁹ Qaryouti, Mohammed, February 2014

⁶⁰ Hsu, op.cit.

5 State of Demand

The Sanabel Report estimate of 377,000 clients (as of 2009) was arrived at by taking the total number of working age adults and multiplying this by the poverty level and adding 20% of the total number of working age adults to the total below the poverty level. It was estimated that 40% of this number would desire access to microfinance and of these 75% would be considered eligible. These criteria were applied uniformly across the MENA region and not specific to Jordan.

The WB higher end estimate seems to be more accurate than the Sanabel 2010 estimate. Given the increase in working age population, USAID LENS' own estimate of 500,000+ is based on lower rejection rates of potential clients and possibly higher demand, given the low-level of formal economic activity.

The IFC estimates that in developing countries the informal sector comprises about 80% of all enterprises. Extrapolating from the number of registered businesses in Jordan, one would estimate there are close to 600,000+ informal businesses in Jordan, all of whom would be potential MF clients.

5.1 MENA and Jordan Access to Credit Issues and Demand

While MSMEs have a number of needs including Business Development Skills (BDS), market linkages and an improved enabling environment, demand for financial services and credit in particular, is globally the most oft cited and largest barrier to MSME market expansion and growth of existing businesses.

Access to credit is cited as a key impediment to starting or expanding a business among survey respondents in the Shell Foundation/Citi Foundation sponsored study "Small and Medium Sized Enterprises in MENA: Leveraging Growth Finance for Sustainable Development". Jordanian SMEs in this study expressed a strong preference for financial funding over BDS, training or expert advice (62% vs. 38%). The same study stated that almost half of SME owners surveyed indicated they needed an additional USD 50,000 to 150,000 for their businesses⁶¹. Given that as of 2011 there were 156,728 active registered businesses in Jordan, the potential demand for credit is extremely large⁶². The EIB estimates that the unmet demand for microfinance is between JD 150 and 200 million alone⁶³. There are a number of obstacles or barriers to SME financing with the most cited by borrowers being the inability to provide collateral and high interest rates. From the financial institutions' perspective (banks) there has been a lack of incentives to lend to small businesses given other profitable and "less risky" options, lack of borrower collateral, unfamiliarity with small businesses, etc. This leaves a gap between supply and demand in the MSME sector.

⁶¹ Al-Yahya, op.cit

⁶² DoS Census 2011

⁶³ EIB, Jordan SME Growth Proposal, April 17, 2013 www.menatransitionfund.org

The view becomes somewhat more nuanced when one looks at the micro and even the small business informal sector. As the primary focus of the USAID LENS project will be on MSEs (as opposed to SMEs) and generally the enterprises characterized as small enterprises will be those at the lower end of the small enterprise spectrum, it is anticipated that most of these enterprises would look to access credit from MFIs rather than from banks.

The microfinance sector has historically experienced strong demand, with outreach growing on average 28% per annum from 2005-2010, although growth slowed in 2013 to approximately 16%⁶⁴. Sanabel in 2010 estimated that the current potential market for qualified persons interested in accessing microfinance is only 377,000 persons⁶⁵, while the World Bank places the potential market between 350,000 and 500,000 borrowers⁶⁶ and using IFC estimates regarding the informal sector, could be as high as 650,000+⁶⁷. At the end of 2013, preliminary estimates indicate that the Tanmeyah members and DEF are already serving over 311,000 clients and MFIs have indicated that the market is extremely competitive.

While current figures indicate a high penetration of the potential microfinance market, the figure of 377,000 potential clients is probably understated. USAID LENS feels that the high end WB estimate, given a number of factors may be more accurate.

The Jordanian National Policy Framework for Microfinance indicates that loan account penetration is low in Jordan (200 loans per 1,000 adults) vs. the MENA region (258 loans per 1,000 adults) and well below that of OECD nations⁶⁸. Interviews with MFIs using the credit verification database mentioned a large number of clients in the data base who had a loan from more than one institution. Therefore an indeterminate number of clients may have been double or even triple counted and the number of existing “clients,” may actually be significantly lower than the number of loans reported. USAID LENS has also taken into account the growth in the working age population, high formal unemployment rates and official estimates of economic inactivity, and considerations specific to the Jordanian MF sector in arriving at its estimate.

The National Employment Strategy indicates that 60% of the adult Jordanian population is economically inactive. There are a number of reasons for low participation rates. One is that matriculating students find that their skills do not meet employer demands. While the National Employment Strategy “discounts” the shame factor of working in the private sector or becoming an entrepreneur, there seems to be a general perception of private sector activity as precarious and employment in the sector as paying low wages, requiring long hours and lacking in benefits. Many younger persons choose to remove themselves from the work force while waiting for opportunities in the public sector.

⁶⁴ Tanmeyah unpublished report, op.cit

⁶⁵ Sanabel 2010 Arab Microfinance Regional Report: An Industry Update, www.sanabelnetwork.org

⁶⁶ Appraisal of WB program proposal op. cit.

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⁶⁸ Jordanian National Policy Framework for Microfinance: Towards Inclusive Finance, www.mop.gov.jo

In addition, generous pension rules mean that many persons retire early and male participation in the workforce begins to drop from the age of 50. For females participation begins to drop just prior to the age of 30. Females face additional obstacles in that certain types of activity are not seen as appropriate, household demands require flexibility in working hours and in some cases social pressure or religious beliefs preclude women from seeking to become active in the economy.

Although there are a number of structural factors impeding greater economic participation, both formal or informal MSEs offer an opportunity to increase economic participation in Jordan and increase incomes. The UNDP Panoramic Study of the Jordan Informal Sector indicates that in some cases entrepreneurs are not aware of financing programs or feel business financing options are not feasible due to high interest rates, collateral requirements and short or non-existent grace periods. Greater public awareness of financing options could increase client interest in starting or expanding a business. The Employment Strategy also indicated that a significant portion of retirees continue to be economically active, but generally in an informal manner.

Besides public awareness, there are a number of issues that may be limiting demand for access to finance. Current product offerings require review in order to explore how useful they are for clients. Sixty-five per cent of the Microfinance Market Survey respondents indicated that the loan was either not suited to their needs or they had adapted it to their needs. Lack of product offerings limits the market for potential borrowers. MFI interviews indicated that a large per cent of MFI clients do not apply for a new loan after completion of a loan cycle. In fact one MFI indicated that in 2010, their client exit rate was almost 60% per annum. Many other MFIs indicated annual client exit rates of 40% are common.

The current product offerings appear fairly appropriate for retail and in some cases wholesale businesses. Retailers comprise a significant portion of registered and informal businesses, and cash flows align well with small group or individual loans. This is not necessarily the case for start-up manufacturing businesses or for the purchase of fixed assets by an existing business. The majority of current clients are members of credit groups according to MFI interviews, with low loan amounts and high levels of product standardization which aligns with activities such as selling clothing, home-made food items, cosmetics, etc. Broadening product terms and conditions beyond loan size, might make credit offerings more attractive to other business sectors. In addition, there is demand for loan products not tied to an income generating activity. MFIs increasingly offer loans for specific non-business related activities such as education, home improvement, etc. and further experimentation could increase credit demand.

Another product related development issue that can drive potential market size and demand is developing the capacity by the MFIs to move “upmarket”. Many MFIs wish to diversify their current portfolio away from group loans or loans for home-based businesses towards the lower end of the small enterprise sector. One interviewee indicated that they felt there was considerable saturation in the smallest borrower segment for microfinance, but that the lower to middle level small enterprise market had significant potential for growth⁶⁹. MFIs will need to invest in product research, survey market demand and train credit officers in cash flow and character based credit assessments, as small or medium size loans (JD3,000 - JD 50,000+) carry considerably more risk and require their own dedicated servicing team.

Interest rates are another factor limiting the growth of the MFI sector. Rates on various products can range from 15-42% APR⁷⁰. Some businesses, while providing positive returns, may not be able to sustainably borrow at these rates. Interest rates are often cited as the most important factor in taking a loan, although speed of disbursement is also a significant consideration. MFI costs can be high due to intense interaction with the client base, small transaction sizes, etc. and these expenses mean that interest rates need to be fairly high in order for the institution to be sustainable.

How large of a factor interest rates are in driving demand is not 100% clear. It should be noted that while surveys usually rank interest rates as the number one determinant in taking a loan, client interviews indicated that ease of application, speed of disbursement and use of collateral mechanisms other than property were the primary reasons for choosing an MFI over a bank. Cost of the loan was not usually discussed in specific detail, but most clients did indicate they would like the loan more if the interest rates were lower.

5.2 Savings

While a number of MFIs expressed an interest in attracting savings, the supply side analysis has already discussed that this is not a near term possibility. There are also questions in regard to unmet demand. Given that the vast majority of the population of Jordan resides in urban areas (almost 83%) and enjoys a broad network of bank branches, physical access is not seen as an issue. The CBJ, while providing statistics on monetary indicators related to savings, does not provide any indication of the number of accounts or savers on its website. The Jordan Times indicates that 75% of all Jordanians do not have a bank account⁷¹. However the National Policy Framework for Microfinance indicates that Jordan has a very high bank account penetration rate with 898 accounts per 1,000 adult individuals⁷². While there are a large number of accounts, it appears that per capita account usage is fairly low and that even where individuals do have accounts, they do not use them for the accumulation of savings (see interview results below). This is compounded by that fact that the macro-economic situation

⁶⁹ Darwish, Naser, Amman Jordan, March, 2014

⁷⁰ MF Sector Survey op. cit.

⁷¹ Mobile Payments Today op.cit.

⁷² National Policy Framework op.cit.

has negatively impacted the business sector and the high cost of living means that often it is not a perception issue (client feels they don't have "enough" to save) but rather a reality. Poor and vulnerable households may not even have nominal amounts of cash to place in a savings account. One issue raised was the evolution of a consumption society in Jordan. In this case, even when small amounts of savings are available, they are rapidly depleted due to the desire to purchase consumer goods.

All of the clients interviewed in Irbid and most of the clients in East Amman indicated that they have bank accounts. However, they do not use them for reasons of lack of convenience, transaction costs and in some cases where clients did not have a savings account, the reason provided was that *riba* or interest is haram or forbidden. This is interesting as the persons interviewed were borrowers from MFIs and therefore had a loan on which they paid *riba*. The explanation for this phenomenon was that while "paying *riba*" was a necessity or imposed on the client, voluntarily accepting or benefitting from *riba* on a savings account would constitute a far greater transgression.

Unlike many other countries, there is every indication that current demand, particularly among poorer households is fairly low for savings products. There might be some potential for products such as Blue Light, which is a type of savings/lay-away plan, where clients can save to a desired level and then redeem the savings at a variety of retailers at a discount. Blue Light also intends to provide incentives, such as a 5 JD top up of savings if someone saves an amount of 100 JD. This product is currently in the development stage⁷³.

5.3 Insurance

Similar to data on the number of savings accounts, the Insurance Commission of Jordan annual report for 2012 does not provide the number of policies underwritten for any particular sector of the insurance market. However, the report does indicate that the medical sector comprised 24.3% of premiums and the life sector 9.3%⁷⁴. This coincided with what clients said when asked whether they would like insurance if it was available at a reasonable price. Most indicated that medical coverage or additional coverage if they currently had some form of coverage would be desirable. However, when asked about life insurance, most did not show a strong interest in accessing term life cover, nor for damage or loss at their business.

A number of MFIs do provide credit life, with the cost embedded in the loan repayments, but further exploration of the perception of this is required to see if clients feel it is useful to know that they will not be leaving their families with unpaid debts. MFW provides a death benefit that covers not only the unpaid debt, but also a sizable benefit to the deceased's family or to the client if it is the spouse that died. Some MFIs also provide a medical benefit, for instance where in return for a small monthly fee, in the event of illness or hospitalization, they receive a much larger daily payment for expenses up to a pre-set number of days.

⁷³ Khalifeh, Mustafa, Amman Jordan, February 2014

⁷⁴ Jordan Insurance Commission, op.cit.

5.4 Mobile Banking

While the use of mobile phones and number of accounts in Jordan is substantial, with an account saturation rate of approximately 155%⁷⁵, current demand for making and receiving payments via mobile phone seems to be weak. Telecoms providers and financial institutions have indicated that their client base did not evidence a need or demand for the product. Currently, no one with whom the USAID LENS team has spoken has had a successful pilot of mobile money (although Orange did see participation rates among HQ staff increase substantially when discounts at the café across the street were provided for users of mobile payments)⁷⁶.

The primary barrier seems to be a lack of trust and familiarity with using mobile money, with the lack of a printed receipt cited frequently as a reason why the product was not desirable. The weakness in the agent network, is another problem, both demographically i.e. number of agents and in the quality of the service provided by agents. One interviewee cited visiting three cash-in/cash-out points in Amman, without being able to finalize the transaction.

Given the branch network of banks and MFIs, clients also did not feel it was inconvenient or expensive to make payments in person. Most MSMEs purchase their inputs within the governorate where the business is located and given that 73% sell directly to retail clients, most purchasers of their products are also local⁷⁷. Therefore, there is only an infrequent need to move money considerable distances. Most of the clients who indicated that they did not save in banks, expressed no real concerns with safety issues related to transacting or holding cash. Obviously, services that might be linked to bank accounts (versus mobile wallets) would have to overcome the obstacle of the current low level use of bank accounts.

This dynamic may change over time, given the younger generation's familiarity with technology and the proposed expansion of retailers and other suppliers accepting mobile money, but this will take time.

⁷⁵ Mobile Payments Today op. cit.

⁷⁶ Tuffaha, Sammy, Amman Jordan, February 2014

⁷⁷ The Jordan Human Development Report 2011 "Small Businesses and Human Development" www.mop.gov.jo

6 Conclusions and Recommendations

6.1 USAID LENS

MSEs (less than 20 employees) comprise approximately 98% of all registered private businesses⁷⁸ and these enterprises contribute 40% of GDP. MSMEs can be a key contributor towards economic growth and the “development of MSMEs is increasingly recognized as important to the economic, social and human development of Jordan and a clear priority of the government. Supporting MSMEs is identified in the National Agenda 2006-2015 as one of the elements of a holistic approach to stimulate economic development and improve social welfare and security⁷⁹.”

The Local Enterprise Support project, USAID LENS is specifically designed to encourage and support the growth of MSEs by working with MSEs, enhancing the enabling environment and working with the financial sector to insure continued access to finance.

The National Entrepreneurship and SME Development Strategy (2013 -2017) lists a number of major obstacles to MSME development such as a weak entrepreneurial culture, lack of management skills, market access, lack of innovation, etc.⁸⁰ Within the list is a key restraint which appears in almost all literature on the subject – access to finance. A key component of the USAID LENS project will be to address this constraint.

USAID LENS will seek to encourage linkages between various economic development programs, its own components and between the public and private sectors.

6.2 Financial Services Landscape

While MFIs currently are providing basic credit services to more than 300,000 individuals and some banks such as Jordan Ahli, Cairo Amman, etc. have begun moving “down market” by providing credit to smaller businesses, there still remains unmet demand and credit market gaps.

Although Sanabel estimated the Jordan market for microfinance to be 377,000 clients, given the non-Jordan specific methodology, it is estimated that the market for microcredit is probably between 500,000 and 600,000 clients.

⁷⁸ 91% of all registered businesses employ less than 5 persons DoS Census 2011 op. cit.

⁷⁹ JEDCO op. cit.

⁸⁰ EIB op. cit.

The current market is mainly being served via non-customized products and services and this limits the appeal and impact of the current product offerings. Products have not necessarily been designed with specific businesses in mind, aligning loan amounts and repayments with specific cash flow characteristics.

Given the large number of officially economically inactive persons, there also appears to be additional untapped potential demand, particularly among women. Even if the finance only supports small survivalist businesses, it would allow women to play a greater economic role by contributing towards household income. Given that a large proportion of formally employed persons make only approximately JD 200 per month, even a small incremental income can mean the difference between a household being above or below the poverty line.

While banks are increasingly seeing potential in the small and medium business market, they still tend to lend to businesses that are much larger than the average microfinance business and continue to lend primarily based on collateral considerations. MFIs have recognized this opportunity and many are interested in “moving upmarket” to meet the needs of small businesses requiring less than JD 100,000. In essence, banks are focusing on the SME component and MFIs on the MSE component of the overall MSME segment.

Within the credit sphere therefore there is a unique opportunity to facilitate the expansion of access to credit as both MFIs and banks mature and move outside of their traditional markets. The estimated additional market for microfinance alone is JD 150-200 million⁸¹.

Microfinance is not only micro-credit. A holistic approach towards financial inclusion will include a number of additional financial products besides credit. These typically include savings, insurance, leasing, e-commerce solutions, etc. While the opportunities for USAID LENS to contribute in these areas is narrower than in the credit sphere, important activities could be undertaken.

⁸¹ EIB op. cit.

6.3 Recommendations for USAID LENS Activities

After review of the current financial services landscape, consultation with key stakeholders, and discussions related to linkages with other programs and the LED component for USAID LENS, a three-pronged approach seems most appropriate for achieving USAID LENS' aims. The USAID LENS MSE and A2F component will engage at varying levels of intensity at the micro, meso and macro levels of the MSE and financial sector ecosystem⁸².

Micro	Meso	Macro
Existing MFI product & services review and improvement. Client satisfaction surveys and/or drop-out studies	In conjunction with Tanmeyah support outreach activities linking MFIs, MSEs, municipalities & other key stakeholders	Secondary market development
New MFI product development based on unique business characteristics, primarily for small enterprises	Support MF industry research e.g. level of consumer borrowing, over-indebtedness, client retention strategies, etc.	Support DEF transition via linkages to MFIs
Staff development to support new products	Insurance linkages/bundling at sector level designed to decrease cost	Initiate efforts to improve MSE business registration
Financial Literacy Support	Promotion of micro-franchising via conferences, workshops and product development	Working with IFC, provide support for final development and promotion of the collateral registry
Insurance	Support mobile banking awareness and promotion campaigns	
Regulatory Compliance Assistance	Exploration of potential for leasing	
Re-pilots or new pilots for mobile money	Proper link to MIX Market	
Risk Mgmt, (particularly piloting the geocoding of client data for risk and market analysis) Cash Flow & Character Based lending		
Non-financial distribution	Business Cluster Analysis	

⁸² Some activities can be undertaken at either the micro or meso levels, such as "drop out studies", client satisfaction surveys, micro-franchising initiatives, etc.

Micro-Level

At the micro-level USAID LENS will work primarily with MFIs and small businesses or promising micro-entrepreneurs. Although initially it was envisioned that USAID LENS might work with bank SME departments, the main opportunities are at the MFIs. Banks still are not really engaging with the entrepreneurs targeted under USAID LENS and their SME departments are supported via numerous donors and programs with financial products and resources as well as technical assistance and capacity building⁸³. A number of MFIs expressed an interest in **product development** to meet the needs of the current market better and reduce client exit rates, or to develop products more suited to small businesses. It is envisioned that there would be multiple levels of support for this. USAID LENS would work with MFIs to review current product offerings, assess client satisfaction and make recommendations related to improvement of the current product offerings. This review will also include non-business credit products either currently on offer or being considered by MFI partners e.g. home improvement loans, educational loans, etc. Initial product review and customer feedback exercises can be accomplished in a fairly tight time frame. The MFI would be responsible for implementing recommendations and this might involve further technical support from USAID LENS. Ultimately these activities should expand outreach, improve impact and result in greater client retention among the current MFI market.

There appears to be high demand for assistance in new product development and it is anticipated that new products will need to be developed to meet the needs of small businesses, micro-franchises, business clusters and those sectors targeted by USAID LENS. Without access to appropriate finance, the MSE sub-component will be far less effective. The USAID LENS MSE initiative will identify high potential sectors, and engage with “opportunity firms” rather than the large number of “necessity firms” currently accessing microfinance⁸⁴. Products specifically designed for these sectors or business types will be developed in conjunction with capacity building efforts at selected MFIs so as to insure that staff members are properly trained to assess loan applications and monitor activities. Lessons learned, of a non-proprietary nature, will be shared within the sector.

Analysis of business cluster activity would support MSE development and potentially could result in specific product development at the MFIs. The Jordan Human Development report states that most small businesses do not grow and then points out that 78% of MSMEs did not belong to an association, nor did 86% integrate themselves into clusters⁸⁵. USAID LENS will seek to improve linkages that allow for the production of more value added products, specialization, integration into regional or international markets and greater competitiveness. This will be done by encouraging targeted sector participants to work to create linkages and engage in coordinated action via **linkages** at municipal or regional levels, existing associations and/or unique USAID LENS initiatives. These activities could also then involve linkages with JCP, ESCB or other programs based on conversations with both programs, but this will depend on the outcome of the sector selection. Regardless, it should involve linkages at the municipal or regional levels.

⁸³ E.g. OPIC Jordan Loan Guarantee Facility, AFD Green Credit Line, WB SME Development for Inclusive Growth Project, EU support for DEF transition, etc.

⁸⁴ Steyn, Peer, Ardic, Oya, Hommes, Martin IFC “Closing the Credit Gap for Formal and Informal MSMEs”, www.ifc.org

⁸⁵ HDR op.cit.

Risk management is a key area of concern and will become more important as the MFIs move upmarket and traditional markets become saturated. It is also an area of key concern for the CBJ as part of its supervision plans under the MF Bye-Law. USAID LENS can support risk management training and even for those who are quite adept at managing risk, introduce new technology supporting risk management efforts. Geo-coding of client data would allow for more accurate analysis of risks and opportunities. USAID LENS has the capacity to provide support for building capacity at select institutions and systems implementation support.

USAID LENS anticipates supporting **gender mainstreaming initiatives** so that new product development takes into account the special needs of female micro and small entrepreneurs.

While some MFIs currently offer varying types of non-credit products, MFIs do not currently offer **savings** or **leasing**. Since it is prohibited for non-banks to offer savings, it is not envisioned that USAID LENS will be engaging immediately either at a policy level or operational level to expand the number of financial service firms that are eligible to mobilize savings. MFIs also did not seem interested in linkages with banks to provide savings to their clients and given the questions related to the saving culture in Jordan, this area of financial services, while important, did not seem to have a high potential for engagement at this time. One area that might help to promote a savings culture is financial literacy. USAID LENS could support financial literacy initiatives in conjunction with key stakeholders such as MFIs, Tanmeyah, the CBJ, Ministry of Education, etc.

Leasing will require dedicated research to ascertain additional information on demand, operational considerations, and clarification on any applicable laws or regulations before being considered for USAID LENS support. While insurance initiatives and electronic wallet pilots would involve individual MFIs it is envisioned that the primary activity would fall more broadly in the meso level category.

One final possible area of engagement is exploring with some MFIs the potential for linkages or **distribution of products outside the financial services sector**. MFIs are basically large distribution channels that happen to distribute financial products. However, they could serve as distribution channels for other products. For instance they could wholesale popular products that their clients are using or buying for their businesses and provide them with discounts. Grameen and BRAC have a number of activities based on this concept. In Latin America there are MFIs that link into suppliers of goods that their clients use. An MFI with a home improvement loan links up with a construction materials supplier and encourages credit clients to use them as a preferred supplier who perhaps provides them with a discount.

This concept was not initially discussed during the current analysis, but should be explored during further interactions with MFIs.

Meso-Level

USAID LENS will seek to support meso-level activities either directly under the project's auspices or in conjunction with other stakeholders such as Tanmeyah. One activity would be **outreach** events bringing together the public sector, banks, MFIs and MSEs at various regional events in order to create greater understanding among key players and explore linkages between various initiatives. Engagement at the municipal level would be coordinated with the LED team. At the municipal level, there may exist opportunities to create linkages, possibly with CBOs. If recycling and clean waste disposal are identified as viable and sectors for example, USAID LENS through its two components can create linkages between municipalities, entrepreneurs, financial institutions and possibly JCF and ESCB. In the previous example, municipalities might gain by reducing the amount of waste that needs to be collected or being able to sell waste products via recycling programs to entrepreneurs, while entrepreneurs might benefit through access to inputs or fees for services. Financial institutions would benefit by expanding their credit base.

Additional events could be business sector or type specific, for instance linking businesses associated with the Jordan Energy Sector Capacity Building program with MFIs looking to provide small business loans. Micro-franchising offers a unique opportunity to support micro and small enterprises with higher growth potential than survivalist **micro-enterprise**. USAID LENS could organize a national level conference on **micro-franchising** bringing together international experts, financial service providers and potential entrepreneurs. USAID LENS could also work with business service providers to develop indigenous micro-franchising concepts.

Building on micro-franchising efforts, USAID LENS would work with MFIs to develop new products to offer to this market. Micro-franchising would support MFI demand to "move upmarket" and open up a previously unexplored type of business model. Given that franchises often provide a "proven model" this type of approach may be appropriate for engaging with youth wishing to start a business, but with limited experience.

These types of events can be coordinated in conjunction with **Tanmeyah** in order to increase MFI buy-in, and maximize participation. USAID LENS can readily support Tanmeyah to **conduct research** on key issues affecting the sector e.g. drop-outs, over-indebtedness, levels of consumption borrowing etc. Given the nascent nature of Tanmeyah, USAID LENS should consider support for Tanmeyah via SEEP's programs or other network support initiatives, as well. USAID LENS could also mobilize to quickly develop an increased sustainability and fund raising plan. Tanmeyah currently has sufficient funding from the EU for operational expenses over the next three years (approximately Euro 1 million), but current membership fees will not be sufficient to cover operational expenses at the conclusion of the EU grant facility.

Insurance is a key component of any financial inclusion or developmental finance strategy. Given that an idiosyncratic event can erase years of development gains, USAID LENS should encourage its MSE and MFI partners in relation to insurance. MFW and others do have limited insurance products (credit life and some medical benefit schemes) but many of them are

“informal products” and not linked to an insurance provider. USAID LENS should work with Tanmeyah to encourage links between MFIs and insurance companies. By addressing this at the sector level, MFIs might be able to offer more affordable and professional products via wholesale pricing at the sector level.

Mobile money, while unsuccessful to date, does have potential in the long run to expand outreach and reduce costs. MFIs interested in re-piloting could be provided with an assessment of their previous pilot and lessons learned. USAID LENS would then support development of a new pilot and catalogue lessons learned. USAID LENS could support a series of studies promoting the use of electronic wallets, mobile-phone based payment services channels and platforms, and then assessing which approaches appeared to be most efficient and effective. In the interim, USAID LENS could work with MFIs to assess back office needs and requirements should they decide to promote the use of mobile money.

While one of the major obstacles to wide-spread use of mobile money is cultural and beyond the ability of USAID LENS to influence by itself, USAID LENS should play a role in supporting various efforts to encourage increased use of mobile money. Support is not only necessary, but would be appreciated by key stakeholders such as the CBJ. This will require a coordinated effort by numerous stakeholders including telecoms companies, financial institutions, agents, the CBJ, etc. but does represent a developmental opportunity for USAID LENS, as few donors are currently involved.

Macro-Level

At the macro-level there exist only a limited number of opportunities wherein USAID LENS can possibly engage. GIZ is already providing support for the drafting of the Microfinance By-Law and will be providing capacity building support for both the CBJ and MOPIC with an embedded presence at both institutions. With EU support, GIZ will also be working extensively with DEF in transforming DEF’s lending facility from a primarily retail lending entity to a wholesale provider of on-lending funds to MFIs.

USAID LENS could support MFI assumption of portfolios or clients of DEF, but should also work through the network to insure that DEF’s future structure and activities do not have an adverse impact on the other microfinance providers. The current DEF work plan includes SME lending. Depending on how DEF defines SME lending, and how it prices its products, this direct provision of credit to enterprises could distort the market and reduce the ability of the MFIs to move “upmarket.”

Without waiting for the actual **Microfinance By-Law** to go into effect, USAID LENS could immediately begin working with MFIs in regard to **client protection, transparency and risk management**. These are key areas of focus for the CBJ and building capacity prior to the CBJ overseeing the sector would be appreciated. This effort could be coordinated through Tanmeyah or done on an individual MFI basis.

The CBJ is also extremely interested in efforts to improve **financial literacy**. However, any engagement with government entities would require significant dialogue and coordination with the EU, CBJ, DEF and other stakeholders. USAID LENS has the ability to provide capacity building for DEF's transition to a wholesale institution and the development of the CBJ capacity to monitor MFIs, but as stated previously, GIZ is already undertaking these activities.

The anticipated roll-out of the **collateral registry** will require assistance with uptake and implementation according to the IFC. The IFC would welcome working with USAID LENS on supporting the roll-out and the initiative fits in well with USAID LENS' goals. Since collateral, based on immovable property is a key constraint in MSEs accessing finance, eliminating or minimizing this constraint has the potential to improve MSE access to finance. This support could be a combination of financial support for installation of the registry at the MoLTand advocacy with MFIs and banks, as well as client awareness initiatives.

As part of facilitating communication between government authorities, financial service providers and MSEs, USAID LENS should explore opportunities to increase formal **registration of businesses**. The IFC "Closing the Credit Gap for Formal and Informal MSMEs" indicates that registered businesses tend to be more fully integrated into value and supply chains and are more successful than unregistered businesses⁸⁶. This would involve engagement at national and local levels of government, as well as providing a value proposition to entrepreneurs. Activities to support this might involve:

- National level dialogue, perhaps via the USAID/Fiscal Reform Project II, to review taxation, particularly on businesses with revenues or profits below a certain floor. This would remove one of the key constraints.
- Provide support at local levels for improving the business registration process and the ability to analyze registration information and integrate this analysis into local economic development strategies.
- Work with MFIs to encourage their clients to register their businesses. Registration should not be a requirement, but MFIs can be an influence on registration behaviour.
- Using the afore-mentioned outreach events, by including registration in agendas where appropriate.

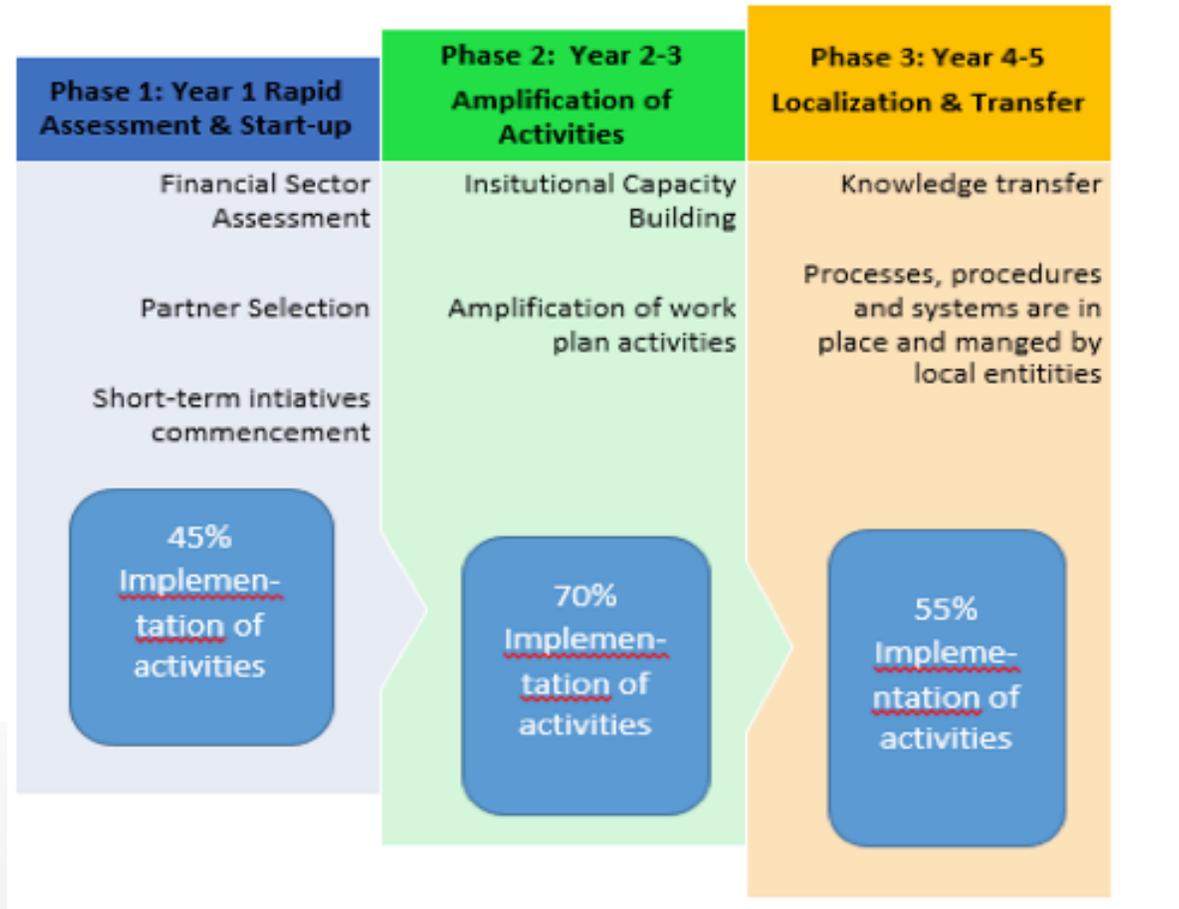
Currently, access to on-lending funds for most MFIs does not seem to be an issue, however local currency facilities are limited. In the future MFIs will need to increasingly turn to commercial sources for funds. Many banks are reticent to lend to MFIs directly and the cost of funds from commercial banks is usually a 100 basis points or more above the current average cost. Given that it is anticipated that the microfinance sector will continue to grow and require significant injections of capital that may no longer be available from sponsors or donors, one means to address this would be the **development of a secondary market for microfinance portfolios**.

MFIs would pool loan portfolios and banks could purchase the portfolio and income streams using a small portion of their liquidity. This mechanism would increase the supply of funding for MFIs and provide better returns to banks than they might receive elsewhere. It also

⁸⁶ Steyn, op.cit

would create more formal integration of microfinance lending with mainstream banking and provide a risk sharing mechanism. The CBJ is interested in the concept and requested more information should further work be done in this regard.

USAID LENS A2F Proposed Activity Time-line



USAID LENS could support this initiative by initially determining the level of interest for such a market at both the MFIs and the banks, provide product development support and then coordinate with key stakeholders e.g. MFIs, banks, regulators, etc. to pilot the mechanism.

While there are a number of donors and programs supporting the developmental finance sector and MSEs in Jordan, USAID LENS is in a unique position to serve as a catalyst for MFI development. As the MFIs reach their next stage of maturation, USAID LENS should support the significant prospects for growth in the breadth and depth of outreach, encourage greater coordination at the sector level and provide linkages between stakeholders. It should also assist in re-launching innovative approaches to service provision and play a key role in building the necessary enabling environment required if Jordan's economic and social development goals are to be achieved.

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Annexes



Annex 1

Organizations Providing Input into the Financial Sector Analysis

Organization	Name & Title	Contact Details
Abbassi Law	Alla Abbassi – Attorney/CBJ Advisor	Alaa.abbassi@gmail.com
Ahli Microfinance Company	Fadi Shalabi – General Manager	Fadi.shalabi@amc.com.jo
Ahli Microfinance Company	Tamer Issa Halaseh Senior Finance Manager	Tamer.halaseh@amc.com.jo
Al Watani	Bassem Khanfar – Former CEO	khanfarb@yahoo.com
Bluelight Global	Mustafa Khalifeh – CEO	Mustafa@bluelightglobal.com
Bluelight Global	Hasan Al-Kayed – COO	hasan@bluelightglobal.com
Central Bank of Jordan	Mohamad Amaireh – Executive Manager Financial Stability Dept.	Mohamad.Amaireh@cbj.gov.jo
Development and Employment Fund	Eng. Abdalla Freij – Director General	a.freij@def.gov.jo
Development and Employment Fund	Ghada Alfayez	alfayez@def.gov.jo
ESCB	Mary Worzala – Chief of Party	mworzala@escb-jordan.org
ESCB	Hameed Nezhad Phd Senior Energy Advisor	hnezhad@escb-jordan.org
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Housing Bank for Trade & Finance	Raba'a AL-Nsour Medium Business Manager	Ral-nsour@hbtbf.com.jo
International Finance Corporation	Murat Sultanov – Program Manager	msultanov@ifc.org
Jordan River Foundation	Eng. Dina Shafaqouj – Director Training & Consultancy Services	d.shafaqouj@jrf.org.jo
Microfund for Women	Fatina Abu Okab Deputy General Manager	fokab@microfund.org.jo
Orange	Sammy Tuffaha – Marketing Manager Orange Money	Samm.tuffaha@orange.com
Siyaha	Ibrahim Osta – Chief of Party	iosta@siyaha.org
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Tamweelcom	Ziad Al-Refai – Executive Director	ziadalrefai@tamweelcom.org
Tanmeyah	Saleem Nammari – Executive Director	snammari@tanmeyah-jo.org
Tanmeyah	Mustafa A. Nasereddin – Chairman	Mustafa@nasereddin.org
VITAS	Naser Darwish – General Manager	ndarwish@vitasjordan.com

Annex 2

USAID LENS A2F Activities Exhibiting Potential

Micro	Meso	Macro
Existing MFI product & services review and improvement. Client satisfaction surveys and/or drop-out studies	In conjunction with Tanmeyah support outreach activities linking MFIs, MSEs, municipalities & other key stakeholders	Secondary market development
New MFI product development based on unique business characteristics, primarily for small enterprises	Support MF industry research e.g. level of consumer borrowing, over-indebtedness, client retention strategies, etc.	Support DEF transition via linkages to MFIs
Staff development to support new products	Insurance linkages/bundling at sector level designed to decrease cost	Initiate efforts to improve MSE business registration
Financial Literacy Support	Promotion of micro-franchising via conferences, workshops and product development	Working with IFC, provide support for final development and promotion of the collateral registry
Bluelight	Support mobile banking awareness and promotion campaigns	
Insurance	Exploration of potential for leasing	
Regulatory Compliance Assistance	Proper link to MIX Market	
Re-pilots or new pilots for mobile money		
Risk Mgmt, (particularly piloting the geocoding of client data for risk and market analysis) Cash Flow & Character Based lending	Business Cluster Analysis	
Non-financial distribution		

Annex-3

Donor A2F and MSME Support Matrix

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
Aqaba Development Corporation (ADC)				Aqaba Governorate	<p>CSR Activities: Memorandum of Understanding with the Jordanian Hashemite Fund for Human Development JOHD to manage a 1 million Dollar scholarship program provided by ADC; Establishing Information Technology Lab and Internet services in Aqaba Youth Center in cooperation with the Higher Council of Youth; Establishing a complete Language Laboratory in JOHUD Center in the Princess Basma Center for Development; Agreement between ADC and Jordan River Foundation (JRF) to evaluate Social and Economic needs of Aqaba Old Town; ADC, ASEZA, and USAID ACED memorandum of understanding to establish a voluntary team of residents who shall play an integral part in the planning and development of the old town's district; Signing an Agreement with Jordan River Foundation (JRF) to Develop Small Projects for Women in Aqaba's Old Town to provide job opportunities for residents and women in particular; Supporting Aqaba Orphans Association with a "Revolving Sustainable Loans Fund for Orphans families" to establish small domestic projects to improve their income; Award for the distinguished small projects in Aqaba to encourage youth and families in Aqaba to establish their own business, and also to encourage production; Establishing an agriculture project for women in Adeesa area with JOHUD to empower women as well as the local farmers in Aldeesa with the necessary tools, equipment, and agricultural knowledge that is essential for the establishments of new small income generating projects.</p>	

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
DFATD: Gender and Social Fund		\$4.4 million	2007-2012		<p>implemented through the provision of technical and financial support to initiatives of selected civil society organizations and government bodies that address gender issues in critical strategic areas. Gender related action research and studies that enhance policy and program development in Jordan are also supported. The Fund has three strategic components: capacity building of human resources and institutions; development of a gender knowledge base; and program support to local developmental initiatives. Results achieved as of March 31st, 2012 include: Supported the Jordanian National Commission for Women to develop the Jordanian National Women's Strategy for 2011-2016; enhanced the capacity of local women's organizations in good governance and mechanisms to improve their work environment; and encouraged Jordanian youth (males and females) to participate in discussions on gender issues through using web-based forums to upload videos and audios on gender issues from their perspective. In addition to this, the Fund has highlighted the importance of the need to establish standards to ensure quality research in gender issues; and launched a short professional course on qualitative research in gender equality. Moreover, the Fund supported income-generating projects and promoted the use of sports as a means to empower women.</p>	<p>Shehyrar Sarwar is the Head of Aid for DFATD in Jordan Shehyrar.sarwar@international.gc.ca</p>

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
DFATD Jordan-Canada Partnership for Youth Employment	Business Development Center (BDC)	\$5.5 million	2012-2017		<p>Increase the economic benefits to youth (males and females) in Jordan, in the private sector. Promoting more effective gender sensitive and sustainable education programs. Increasing the participation of unemployed youth in the labour market, by training male and female students and graduates on business and entrepreneurship skills, and by organizing work placement programs and job fairs. Small and medium-sized enterprises (SME) development: 50%</p> <p>Advanced technical and managerial training: 30%</p> <p>Vocational training: 20%</p>	
DFATD: Micro, Small and Medium Enterprise Technical Assistance Facility	IFC	\$10 million	2013-2018	For many MENA countries (14% in Jordan)	<p>Its purpose is to improve access to finance for micro, small and medium enterprises (MSMEs). Informal/ semi-formal financial intermediaries: 60%, Financial policy and administrative management: 25%, Small and medium-sized enterprises (SME) development (032130): 15%</p> <p>The project is expected to benefit more than 250,000 MSMEs over 5 years, and will focus on promoting employment for youth and women. The expected results for this project include: (1) strengthened enabling environment of MSME finance; (2) capacity building of financial institutions for sustainable micro-finance and SME banking; and (3) support to MSME business development services (training, networking, mentoring, and business incubator-type services).</p>	

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
DFATD: Regional Economic Empowerment of Women Project	Oxfam-Quebec	\$8.5 million	2009-2013	For many MENA countries (25%)	The project's main components consist of: capacity-building for better business development services (BDS) and building the capacity of key partner organizations through training, mutual learning, information exchanges, development activities, cross-training activities, best practices seminars, national and regional workshops, South-South training, and exchanges of resources. The project includes capacity needs assessments and capacity development plans for each partner organization. The capacity building focuses on better business development services, policy reform, empowerment for women and youth, strategic planning, networking, and collective actions	
Development and Employment Fund (DEF) (partially funded by Islamic Development Bank/ Islamic Solidarity Fund for Development's Microfinance Support Program)	GOJ				Raise awareness to, and encourage and finance, the poor, the low-income groups and the unemployed, who are skilled with a profession, to establish their own projects in the areas of industry, crafts, services or tourism, for the purpose of creating sustainable employment opportunities that provide them with suitable income, and for employing their capabilities in economic and social development, instead of them running after jobs and remaining unemployed while waiting for the required job or depending on assistance corporations.	Abdallah Freij the Director General of DEF Email his secretary at: Ghada G. Alfayez Ghada.Alfayez@DEF.GOV.JO
EBRD Microfund for Women	Microfund for Women	US\$ 4 million	2013-		The EBRD is providing a senior loan to Microfund for Women (MFW) to support the development of larger, expanding microfinance enterprises in Jordan, with a focus on women entrepreneurs. This investment will allow MFW to extend the remit of its lending to include loans for growing microfinance clients until these clients are eligible for full access to the commercial banking system. The EBRD loan will also be partly used to finance the existing microfinance clients of MFW.	Fatima F. Abu Okab Deputy General Manager Microfund for Women fokab@microfund.org.jo

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
EBRD Small Business Support (SBS) Programme					Helps small to medium-sized businesses in Jordan to access business advice, by connecting enterprises to local consultants and international advisers.	
Employment, Technical and Vocational Education Training (E-TVET) Fund and Council					Provides training in targeted sectors including transportation, tourism, construction, and food processing among others Links to local universities and training centers that are part of geographic clusters.	Nadera Al-Bakheet (Head of E-TVET Council/Secretariat) n.bakheet@mol.gov.jo ; nadera_bakheet@yahoo.com ; 06.570.2666 ex142 Yara Masa'deh (Projects and Research Unit Manager of E-TVET Fund) yara.masaadeh@tvetfund.gov.jo ; 06.550.3690 ex206
ENPI: Private Sector Development in the Southern Mediterranean		12 million Euro	2013-2016	Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the occupied Palestinian territory, Syria and Tunisia	Aims to foster the development of a conducive business environment for micro, Small and Medium Enterprises (mSMEs) in the ENP South region, to develop quality Euro-Mediterranean networks providing adequate support and services for investing mSMEs, and to demonstrate the potential of cultural and creative industries (via pilot initiatives) in promoting inclusive growth.	

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
ENPI: Spring Forward for Women		7 million (EU) + 1.2 million (UN Women)	2012-2016	Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Occupied Palestinian Territory, Syria, Tunisia	<p>Political empowerment of women: the programme develops the capacity for civil society organizations (NGOs and community-based organizations) as well as governing bodies and political parties to implement a gender perspective in their structure, and to advocate for women's interests.</p> <p>Economic empowerment of women: the programme supports poor women, in rural and urban areas, who have entrepreneurial potential but who lack assets, required skills or are too poor to access financial and non-financial services in order to overcome barriers to entry into income-generating activities and to effectively access economic opportunities.</p> <p>Sharing knowledge and experience of women's political and economic rights on a regional basis:the programme builds up a knowledge hub on women's citizenship and democratic transition in the Southern Mediterranean region at the regional level to ensure that national experiences are captured and shared.</p>	
ENPI: Support for partnership, reforms and inclusive growth (SPRING)		350 million Euro	2011-2012	Egypt, Jordan, Morocco, Tunisia	<p>Comprehensive Institution building programs and support for integrated socio-economic reform; Strengthening labor market institutions and promoting labor market reforms; Microfinance support modeled on the European Progress Microfinance Facility; Addressing the situation of young people who are neither in employment, education or training; Twinning and capacity building activities in a range of economic development fields; Pilot programs modeled on initiatives inspired by the EU cohesion and rural development policies; Support for partner country participation in the work of selected EU agencies and programs; Support for sector co-operation, with a particular focus on knowledge and innovation, climate change and the environment, energy, transport, technology, sustainable fisheries, as well as cooperation across maritime sectors.</p>	

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
EU					Through budget support to improve national policy in combination with some technical assistance (TA) for capacity building of Development and Employment Fund and microfinance associations.	
EU Empowering Women in Baqaa Basin to Challenge Poverty	Land And Human To Advocate Progress	€97,434	2010-2011	Jordan, Baqaa Valley	Support to NGOs to assist women's political, economic, and social empowerment in the Baqaa Valley	
EU Strengthening women's professional capacities to realize Jordan's compliance with international conventions for gender equality	Jordanian Women's Union	€200,000	2008-2010			
EU Technical Assistance of the Programme in Support to Employment-Technical and Vocational Education and Training Reform (E-TVET Reform Project)	GOPA (with Ecorys, SQA, Dajani Consulting)				Based on National Employment Strategy (2011-2020) to improve the quality and relevance of Jordanian employment services; re-orient training programs to reality of employment market. Project works to improve long-term relevance, efficiency, equity, and institutional/financial sustainability of E-TVET system. Providing support in 4 areas: Planning and policy development; Financial planning and costing; Employment and labor market information; Accreditation and quality assurance	Team Leader: Manfred Winnefeld Manfred. Winnefeld@gopa.de Senior Consultant for Employment and Labour Market Information: Hans Bekkers Hans. Bekkers@gopa.de
European Investment Bank (EIB) (with JEDCO) Jordan Capital for Growth Fund	Riyada Enterprise Development, a member of the Abraaj Capital group, to serve as manager of the Fund	\$50 million; 5 million Euro from EIB	2012-		provide long-term capital and institutional support to small and medium enterprises (SMEs) in Jordan.	

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
GIZ: Strengthening the microfinance sector in the MENA region			2011-2017	Jordan, Egypt, Palestinian Territories	Works closely with Central Bank of Jordan. The regional program provides support primarily through advising significant players at governmental and infrastructural level. Goal to improve the regulatory and legal environment. The activities include above all further training programs and expert support for organizational development, in addition to study tours and round-table discussions and raising partner awareness. At infrastructure level, the program concentrates mainly on the regional microfinance network Sanabel, advising it on its organizational development and improving the services it offers. The network is supported not only by advisory measures but also by a financial contribution. Providing TA for new Microfinance Law	
GIZ: Regional Cooperation of selected Arab countries in the Vocational Training Sector			2003-2011	Egypt, Jordan, Lebanon, Palestinian Territories, Syria (project headquarters: Syria)	The project supports institutional reforms in the area of vocational training and the improvement of the overall training quality. This will, over the long term, facilitate economic and employment growth, with special attention being dedicated to an improved employability and increased job opportunities for career starters. The project is part of the focal area of „Sustainable Economic Development“ and is conceptualized as a cross-country and sectorial consultation and cooperation approach complementary to the relevant reform and development strategies of the member countries. Through the establishment of a regional network, member states' institutions and representatives from politics, management and the implementation level will have a platform to exchange knowledge, experiences and information relevant to the reform of the vocational training systems.	
GOJ IRADA	GOJ				Government body. Provides TA to MSEs and can serve as a catalyst for strengthening the BDS sector.	

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
IFC/CGAP					Partnering with Ahli Bank to help small and medium enterprises acquire the skills they need to expand and grow their businesses, and create jobs; Working with the GOJ to streamline the licensing and inspection process, fostering a more dynamic private sector; Partnering with the Central Bank of Jordan to create the first corporate governance code for banks and training banks in Jordan on good corporate governance practices; Helping establish a private credit bureau industry through creating a legislative framework by reviewing existing law and writing a new credit reporting law; Supporting the government's creation of leasing legislation and promoting leasing awareness among relevant stakeholders; and Raising awareness in the country's banking sector regarding sustainable energy financing opportunities targeting women, low-income households, and climate-friendly initiatives.	Ahmed Attiga, Principal Country Officer +962 6 567 8050 +962 6 567 8040 AAttiga@ifc.org IFC: Murat Sultanov msultanov@ifc.org CGAP: Alla Abbassi: alaa@abbasilaw.com

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
International Labor Organization (ILO)			2011-		<p>Technical advisory support on the implementation of the National Employment Strategy. ILO has prepared the “Operational Manual for the implementation Unit of the National Employment Strategy” and continues to evaluate the active labor market programs. In 2013, the National Employment Campaign, “We are all partners”, was launched and aims at providing 18,000 job opportunities for Jordanians. Beneficiaries from the campaign are also offered social security coverage and health insurance. ILO’s three priorities in Jordan are: To expand decent work opportunities for young Jordanian men and women through the promotion of better working conditions, non-discrimination and equal rights at work; To extend a minimum level of social security to the most vulnerable groups of society through the Social Protection Floor as part of a more comprehensive social security system in Jordan; To enhance employment opportunities with a focus on youth employment. Better Work Jordan, a joint initiative of the International Labor Organization and the International Finance Corporation, was established in 2008 at the Jordanian government’s request. It aims to improve the lives of tens of thousands of workers in the garment sector by driving sector-wide, sustainable improvement in adherence to Jordanian labor law and international conventions on Fundamental Principles and Rights at Work, as well as promoting the business competitiveness of the apparel sector in Jordan within the global supply chain.</p>	

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
ILO: Tripartite Action for Youth Employment in Jordan					Together with the Jordan Chamber of Industry build the capacity of micro, small and medium enterprises (MSMEs) to contribute to the quality of the skills supply through upgraded apprenticeship. Design and pilot a manual on youth rights at work to raise awareness of young people on their rights at work and on how to defend them. Together with trade unions, enable the ETVET Council to design and implement an assessment and certification strategy (at least for one sector) that can be used by various training providers. Finalize the establishment of a skills testing system for the identified sectors by defining the system requirements, developing skill-testing tools, training and certifying assessors, and selecting skill-testing centers or venues. Carry out a rapid assessment of informal apprenticeship practices in targeted sectors that will serve as a basis for a strategy seminar between the Jordan Chamber of Industry (JCI), employers and relevant business associations. Recruit at least 30 participating MSME's on a voluntary basis, carry out two three-day training sessions on apprenticeship upgrading and organize joint weekly coaching and monitoring follow-ups to these training sessions	
Islamic Development Bank (IDB)	Jordan River Foundation and others	\$10.7 million	2009-?		The first \$10 million soft loan will be used to support the financial and institutional capabilities of the Development and Employment Fund and build the capabilities of small microfinance institutions operating in the Islamic lending sector. The Kingdom and the IDB also signed a \$350,000 grant agreement, which will be used for training and extending technical support to microfinance institutions, in addition to a \$300,000 grant agreement to finance a project supporting small farmers in Al Mudawara area that will be implemented by the Jordan River Foundation.	

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
JEDCO Governorates Development Fund			2011 -		Partnership of the government and private sector to develop the governorates with the goals of: establishing and expanding projects that generate new jobs; strengthen public/private/civil society partnerships; ensuring a fair distribution of development projects. Fund invests directly in projects through several different tools: equity investment, convertible bonds, quasi-entity	
JICA: Project for Capacity Development of Career Guidance & Employment System			2013-2016		aims at reducing the unemployment rate in Jordan by matching between demand and supply in labor market in order to help job seekers finding available opportunities, and also enhancing and strengthening the National Electronic Employment System.	
JOHUD					Micro-enterprise support; small business unit	Deputy Director, Wafa Al Amaireh Wafa.a@johud.org.jo 06.505.2431 ex 232

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
JOHUD: Hashemite Fund for Development of Jordan Badia (HFDJB/Badia Fund)	Many projects implemented by Italians, US, Arab		2006-Present		<p>The Fund seeks principally to improve the socio-economic conditions in the Jordan Badia (North, Central, South, a total of 80% Jordan's land area). It does this by contributing to poverty alleviation and unemployment reduction, employing the skills of the Badia's people and building their capacities through a variety of development projects, and supporting various scientific, cultural, social, sports and capacity building activities. Fund assesses the Badia's prevailing social, economic, and environmental conditions in order to establish a clear philosophy and a comprehensive plan for the development of Badia through of two strategies or approaches: a direct approach, in which the Fund is directly involved in the design and implementation of projects, and an indirect approach, in which the Fund seeks collaboration with other national and international organizations.</p> <p>Opportunities: if we select any Badia municipalities (Amman, Zarqa, Aqaba governorates). MSE: we can cross-check who they have given grants to and follow up with businesses (partial list: http://www.badiafund.gov.jo/en/node/306) Planning to develop database on land and human resources of the Badia, jointly with Badia Restoration Program of the Environmental Claim Unit</p>	
Jordan River Foundation						<p>Danah Dajani and Dina Shafaqouj</p> <p>Dina: d.shafaquoui@jrf.org.jo</p> <p>Danah Dajani (JRF) d.dajani@jrf.org.jo</p>

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
MOPIC: Economic and Social Productivity Programs (ESPP)					<p>Main Components of the Economic & Social Productivity Programs Unit (ESPP):</p> <p>Housing and Infrastructure: Improve status and living conditions of less fortunate communities by transferring resources, implementing productive projects and providing infrastructural services and shelter.</p> <p>QUDORAT: Follow-up and develop labor to increase the quality of the capabilities of institutions and NGOs to improve standards of living and to establish developmental projects within the targeted societies.</p> <p>IRADA: Encourage the establishment of individual income generating projects through presenting free training sessions.</p> <p>Small Grants and Direct Intervention: Establish productive and income generating projects from the social and economic perspective of targeted areas, to alleviate poverty and decrease unemployment in them, in addition cover direct needs of priority that serve developmental purposes.</p> <p>GIS: Build a base in all areas for GIS using needed programming so that decision makers take action based on the developmental needs in targeted areas.</p> <p>Poverty Pockets: Identify Poverty Pocket areas and needs, conduct studies, design developmental projects, and follow-up in executing them in synchronization with NGOs.</p>	

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
Noor Al Hussein Foundation: Jordan Micro Credit Company (Tamweelcom)					<p>Initially funded by USAID and now a financially independent non-profit institution, Tamweelcom disburses loans to low-income entrepreneurs to enable them to set up micro-enterprises or expand existing ones. Tamweelcom has 21 branches across Jordan, and has disbursed 250,510 loans to 121,706 clients at a total value of US\$154 million. 94% of the beneficiaries are women. The repayment rate of loans is 99.7%, operational sustainability is 125% and financial sustainability is 115%. Tamweelcom's work with women entrepreneurs is part of the King Hussein Foundation program WAGE: Women and Girls Empowerment – Securing the Future.</p>	
Noor Al Hussein Foundation: Capacity Building and Business Services Development (CBBDS) Unit				<p>Originally: Bani Kinaneh district in N. Jordan; now in over 20 villages</p>	<p>The Village Business Incubator (VBI) is an important CBBDS program, which promotes the role of rural women in economic development by encouraging them to establish micro- and small- enterprises that reach far beyond traditional home or gender-based models. VBI services include specialized technical training and assistance with marketing and links to funding institutions. In the last training cycle, the VBI program trained 90 women, of whom 30 went on to establish successful businesses, creating 42 jobs in Northern Jordan. Businesses established include vehicle import/export, farming franchising, a gym center, and a children's nursery.</p>	

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Noor Al Hussein Foundation Community Development Program					<p>Targets poverty pockets in 7 governorates (through MOPIC); sponsoring 85 income-generating projects; help CBOs build an alternate source of income; 4 components: revolving fund, establish income-generating projects, infrastructure initiative, capacity building/awareness, technical training; established Jordan's first business incubator for women in 2002, then in Aqaba, also planning to establish one in Ajloun</p> <p>Through capacity building, business development services, loans and grants to establish income-generating projects (IGPs), as well as the creation of job opportunities at the grassroots level, assists in reducing poverty and unemployment. Includes women-run handicraft cooperatives and a rural lending program. Since 1987, focused on developing the entrepreneurial potential of women in particular to boost family income. A Revolving Loan Fund, run by the Quality of Life project, was initially set up in 21 villages across the country and continues to serve 25 communities. NHF's mobile Capacity Building and Business Development Services Unit has trained more than 12,000 community members and strengthened the capacities of 126 community-based organizations across the country.</p>	<p>Program Manager: Muhammad Al Zoubi mzoubi@khf.org.jo 06.562.0864</p>

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
Noor Al Hussein Foundation: Local Development Program for Less Priveleged Areas				Originally: 10 communities in Aqaba, Al Azraq (in Zarqa governorate) Then: Giza and Al Muwaqar in Amman governorate, Northern Shouneh and Al Mazar in Irbid governorate	alleviate poverty by creating job opportunities, building capacities, increasing accessibility to microfinance and improving infrastructure. activating an entrepreneurial spirit at the individual and community levels through tailored micro-credit and large-scale income-generation projects (IGPs). NHF works with the community to form representative development councils in each community that work to establish small- to medium-sized income generating projects (IGPs) based on solid business principles, feasibility studies and business plans.	
OPIC SME Loan Guarantee Facility		\$250 million	2011-		Partnership through Jordanian banks: Capital Bank, Jordan Kuwait Bank, Housing Bank for Trade and Finance, Bank al Etihad, Jordan Micro Credit Company, Ahli Bank, Cairo Amman, Arab Bank	

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UNDP/JICA: Mitigating the Impact of the Syrian Refugee Crisis on the Jordanian Host Communities					<p>The objective of this project is to contribute to sustaining social and economic stability, with particular focus on the Northern governorates, namely Irbid and Mafraq, and enable Jordanians to continue to pursue their human development aspirations by Investing in quick-impact interventions for rapid employment creation. In this manner, the project provides the different segments of the hosting communities in Irbid and Mafraq with intensive 6-day training program “Establishing and Managing your own Small Business”, building their capacities in the fields of financial planning, marketing, product sales, environmental sustainability and social impact.</p> <p>Working with Ruwwad Micro-Venture Fund (RMVF) and King Abdullah II Fund for Development (KAJD): January 2014: 53 participants from Ramtha District graduated, from which 23 participants succeeded in moving to the next stage to pitch their business ideas in order to receive technical counselling in addition to funding up to JOD 6,000 (approximately US\$ 8,500) to establish and operate their microbusinesses. Business ideas included photography studio, catering kitchen, advertisements production, juices and salads shop, shoes production, blacksmith and glass etching, bridal supplies shop</p>	<p>UNDP – Rasha Beno, Tel. +962-777-457171 – e-mail: rasha.beno@undp.org</p> <p>Ruwwad Micro-Venture Fund, Tel. +962-6-47633319 – e-mail: microbusiness@ruwwad.jo</p>
UN Women					<p>Work with donors like USAID, EU, World Bank. Have office dealing specifically with women’s economic empowerment; training project for women in ITC; work in 11 poverty pockets in Mafraq doing capacity building and training of women and CBOs (with Jordan River Foundation) to teach them entrepreneurship, business management, marketing—also have revolving loans system to help women start their business</p>	<p>Project Coordinator, Haidar Rasheed Haidar.rasheed@unwomen.org</p> <p>Project Assistant, Jordan, Ola Al-Jundi Ola.jundi@unwomen.org</p>

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
USAID ACED I&II	AECOM	I: \$22.9 million II: \$4.8 million	I: 2007-2012 II: 2012-2013	Aqaba	Community Development Initiatives; Poverty Alleviation; Economic Development for MSMEs; Capacity Development for ASEZA; Public Sector Development for improved service delivery and urban planning for tourism and business; enhancing regulatory standards in the economic zone; Private Sector Development for MSMEs for tourism access to financing; strengthening business associations; enhanced workforce development; facilitate dialogue between ASEZA and the private sector; Enhanced Community Development by strengthening and improving processes and the Local Community Development Directorate (LCDD); Capacity Building programs for citizens, and expanding and institutionalizing the Neighborhood Development Activity.	
USAID Jordan Fiscal reform	DAI				Advise MOPIC and Ministry of Finance on effects of high interest bearing Treasury Bonds on banks	Roberto Toso
USAID: Jordan Competitiveness Program (JCP)	DAI		2013-2018		Opportunities for MSEs to benefit from vertical and horizontal linkages with firms in JCP value chains: clean technology, ICT, and medical services. Coordinate with JCP on policy issues that impact LED, particularly in geographic areas of overlap such as GAM and Irbid.	Alec Hansen

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
USAID: Jordan Economic Development Program (SABEQ)	Chemonics Bearing Point	\$69.3 million	2006-2012		<p>Targeted Sectors: Financial Integrity, Oversight, and Broadened Capital Markets; Expanded Trade and Investment; Removal of GOJ Constraints to Achieving Private Sector Competitiveness; Enhanced Productivity (Improved People/Improved Product; Medical Services; Clean Tech & Water Conservation Entrepreneurship; ICT; Agriculture & Engineering Services; Contract Research Org's within the pharmaceuticals sector</p> <p>Interventions. Conducted: Specialized trainings; Achievement of internally-recognized accreditations; Creation of new associations and incubators; Enhanced service delivery and advocacy of existing associations; Creation of a unified "Turn to Jordan" brand; Promotion of pilot projects in new technologies; Supported the establishment of the Development and Free Zones Commission (DFZC) as the sole zone authority</p>	
USAID: Jordan Loan Guarantee Facility (JLGF)	Global Communities/ CHF	\$250 million			<p>Supports financial knowledge and SME growth, including strengthening women- owned firms. Loan Guarantees for banks through OPIC; Technical Assistance for finance and creditworthiness</p> <p>Interventions</p> <ul style="list-style-type: none"> •Training for female entrepreneurs in SME •Guaranteeing bank credit availability •Capacity Building for local private sector banks in staffing, SME loan product design, bank organizational structure, credit policies, and management information systems 	Arun Hsu

Activity/ Organization	Implementer	Funding	Dates	Location	Activities	Contacts
USAID: Jordan Tourism Development (JTD III) (Siyaha) Program	Chemonics	\$31.5 million	2008-2013		Working with Ministry of Tourism and Antiquities (MOTA), Ministry of Labor (MOL), Ministry of Education (MOE), Ministry of Higher Education (MOHE), and the Vocational Training Corporation to develop a labor strategy for tourism workers: hotel, transportation, recreational parks, and guides Supports entrepreneurship and improvement of tourism related industries and MSEs; Support increased planning, promotion, and investment in the tourism sector at a local level; “Passport to Success” program with USAID Youth: Work Jordan, IYF, VTC, and British Council: career training for hospitality (IYF designed program)	COP: Ibrahim Osta
USAID Youth Education Program for Jordan—INJAZ III	INJAZ	\$10 million (Phase III)	2009-2014	Nationwide	Work with Ministry of Education, MOPIC, King Abdullah II Fund for Development. USAID has worked with INJAZ since 1999. Prepare youth for the job market, increase skills, introduce entrepreneurship. Provides leadership, business, economics, communications, and soft skills courses + career guidance. Operating in all 12 governorates, 191 public schools, 36 universities, colleges, and 37 social institutions	
USAID Youth: Work Jordan	International Youth Foundation (IYF)	\$33.3 million	2009-2014	15 areas in Amman, Zarqa, Mafrqa, Sahab, Ruseifa, Irbid, Ma’an, Al Shouneh and Jordan Valley	Working with Ministry of Social Development, Jordan River Foundation, Jordan Career Education Foundation, JOHUD. Program goals: increase life, employability, and entrepreneurship skills of disadvantaged youth through training, job placement and mentorship. Train service providers and rehabilitate facilities. Awareness and empowerment.	

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World Bank Jordan - Micro, Small and Medium Enterprises Development for Inclusive Growth Project		\$70 million	2013-2015		<p>The proposed operation will be a Financial Intermediary Lending (FIL) with one component (Lines of Credits). The Lines of Credits will provide Participating Financial Intermediaries (PFI) loans to eligible PFIs for the purposes of on-lending as sub-loans to eligible beneficiaries or Microfinance Institutions (MFIs) for the carrying out of sub-projects. The operation will enhance the role of financial institutions in economic growth through financing and developing the Micro, Small and Medium Enterprises (MSME) sector in Jordan. A special focus would be placed on providing increased long and medium-term financing for these enterprises' investment. The operation will comprise a line of credit channeled through the Central Bank of Jordan to banks that either have an active MSME portfolio or the willingness and capacity to develop one. The banks will then on-lend the funding directly to micro and small enterprises or MFIs that will on-lend to MSMEs. The participating banks could be incentivized through various mechanisms such as tenor, having access to training and capacity building under the MSME Regional Technical Assistance (TA) Facility and through enhanced amounts, in case the lending proposals support on-lending to those market segments that face the biggest market failures, such as lending to viable MSMEs in remote areas.</p>	