Diagnostic Report
on the Legal and Regulatory Environment
for Microfinance in Jordan

By Timothy R. Lyman and Kate Lauer

June 2005

DIAGNOSTIC REPORT ON THE
LEGAL AND REGULATORY ENVIRONMENT FOR MICROFINANCE
IN JORDAN

June 2005

By Timothy R. Lyman and Kate Lauer[1]

I. OVERVIEW

This Report outlines the findings of a brief mission by CGAP's Policy Advisor Timothy Lyman[2] in February 2004, as well as the preparatory and follow-up research conducted by the authors with the assistance of Jordanian legal counsel and Jordan-based independent consultant Sahar Tieby. Part II provides an overview of the financial system and a general description of the current state of development of the microfinance sector in Jordan. Part III describes the current legal and regulatory environment. Part IV provides a summary of current policy-related obstacles to the development of microfinance. Part V concludes this Report with CGAP's recommendations as to microfinance policy-related interventions worthy of consideration, whether to be undertaken by CGAP or other actors.

II. STATE OF THE JORDANIAN FINANCIAL SYSTEM AND MICROFINANCE SECTOR

Overview of the financial system. Jordan has a relatively well-developed financial system by regional standards. Significant progress has been made toward liberalization. Interest rates are determined by the market, and although the currency is not yet freely convertible, there is a plan in place to move towards this objective.

---

[1] Timothy Lyman is CGAP's policy advisor. Kate Lauer is an independent consultant who collaborates frequently with Mr. Lyman. Mr. Lyman and Ms. Lauer are lawyers who are members of the bars of Connecticut and New York, respectively. Neither is a member of the Jordanian bar. However, in preparation of this Report, they have consulted with and been advised on matters of Jordanian law by the Jordanian law firm International Business Legal Associates. Country-specific legal and regulatory diagnostics are a key component of the CGAP MENA initiative, which was launched in October 2004 to accelerate the provision of microfinance services within the Middle East/North Africa region. This diagnostic was carried out in partnership with SANABEL, the network of MFIs in the Arab world, and the Rockdale Foundation. The Rockdale Foundation underwrote Mr. Lyman's research expenses, for which the authors express their gratitude. The authors also acknowledge the assistance of the USAID-funded AMIR Project in Jordan, implemented by Chemonics, Inc., which funded input from Jordanian legal counsel and Jordanian-based independent consultant Sahar Tieby, whose contributions are also acknowledged as is the input of Terri Kristalsky who was deputy leader of the Microenterprise Initiative of the AMIR project. The authors thank Ms. Kristalsky for supplying them with a draft of the informative report that she coauthored with Stephanie Charitonenko entitled *Commercialization of Microfinance in Jordan – Progress and Prospects*. This Report is not intended to constitute legal advice nor is it intended to be used as the basis for investment or legal structuring decisions. To the best of the authors' knowledge, the contents of this Report are current as of April 30, 2005.

[2] The list of persons consulted during the mission is available through the authors. The authors are grateful to these persons for sharing their time and insights.

The Jordanian banking system aspires to be one of the region's most liberal and dynamic. There are 14 commercial banks (five of which are foreign-owned), two Islamic banks and eight branch offices of foreign banks. The Islamic banks operate under distinct rules, separate from the commercial banking sector. There are no state-owned banks. The banking system also includes government-controlled specialized credit institutions (SCIs).[3] The Central Bank of Jordan supervises licensed banks and acts as 'banker' (i.e., making loans) to licensed banks and SCIs.

In 2003 a special law was passed authorizing the creation of a National Bank for Financing Small Projects (generally referred to by its earlier name 'Bank for the Poor'). News accounts suggest that the institution, to be founded by AGFUND (Arab Gulf Fund for United Nations Development Program), will focus on supporting income-producing projects in rural areas, with the goal of reducing poverty and unemployment. The special law exempts the Bank for the Poor from supervision by the Central Bank and from taxes and duties of all sorts and appears to permit the institution to offer both conventional *and* Islamic lending products. Although substantial funding for the Bank for the Poor has been raised and announcements have been made regarding membership on its board of directors, the institution is not yet operational.

Types of institutions engaged in microfinance. Indigenous nonprofit organizations – both nongovernmental organizations (NGOs) and companies – and for-profit companies currently operate as microlenders in Jordan. (There are no branch operations of foreign NGOs carrying out lending activities directly.) None of the microlenders offers financial services besides lending products, although one offers credit life insurance that is underwritten by a Jordanian insurance company and another is developing a microleasing product.[4] In no event would a microfinance institution (MFI) be permitted to engage in deposit taking without 'transforming' into a regulated financial institution. (As mentioned below, a few microlenders are effectively offering savings products to their clients through relationships with banks.)

Three of the four sustainability-oriented microlenders (i.e., those not offering subsidized loans) are organized as nonprofit companies; the fourth is a for-profit company that is 100%-owned by the Jordan National Bank, a privately owned commercial bank. In addition to this one 'parent bank'-'subsidiary MFI' relationship, commercial banks have also established relations with the more successful nonprofit microlenders, loaning funds to them for onlending. (Onlending of borrowed funds is unambiguously permitted under Jordanian law.) However, commercial banks have generally been reluctant to lend even to the most successful Jordanian MFIs without external credit support.

[3] The SCIs include, among others, the Industrial Development Bank, the Agricultural Credit Corporation and Cities and Villages Development Bank. All have been or are currently involved in direct subsidized microlending.

[4] Any legal entity engaged in financial leasing must be registered with the Ministry of Industry and Trade as a financial leasing company. The minimum capital requirement for a financial leasing company is 1 million JD (or approximately USD 1.4 million). It is not clear how this requirement will affect the launch of the planned leasing product.

No Jordanian banks have yet been engaged in a significant volume of direct lending to microentrepreneurs or poor clients, although the Jordan Loan Guarantee Corporation guarantees bank loans extended to small and medium enterprises. The low level of bank lending of this type appears to be due to the perceived risks and operational costs.[5] If there is a risk of lending to the poor, the National Microfinance Strategy finds that it is at least in part a result of the government's involvement in the sector.[6]

Various NGOs are engaged in microlending as one among multiple activities.[7] Some of these have been subsidized programs; however, some appear to be shifting in the direction of best practice lending.[8] In addition, according to the National Microfinance Strategy, there are approximately 200 self-help microcredit operations with savings and credit components. Some of these self-help groups are supported by donor funds; others are supported by bigger NGOs.

In Jordan (as is the case in other countries in the region), government institutions have engaged over the years in significant direct poverty-focused lending particularly in rural areas under-served by commercial banks. These include, among others, the Development and Employment Fund, the Industrial Development Bank, the Agricultural Credit Corporation and Cities and Villages Development Bank, all of which lend at subsidized rates of interest.

Operational Situation of Significant Players. As of December 31, 2004, the four sustainability-oriented microlenders had disbursed more than 110,000 loans totaling more than 45 million JD. These four microlenders differ in terms of their size, growth patterns and markets served, and to a certain extent also their methodology and product offerings. However, they are all heavily concentrated in urban and peri-urban areas. All four have

---

[5] See 2005 report entitled *National Strategy for Microfinance* written by the Jordanian Microfinance Committee under the direction of the Ministry of Planning and International Cooperation (MOPIC), with technical assistance made available by CGAP, p.5. See also MED-BEST Process in Jordan – August 2004 Country Report, p. 12 at http://europa.eu.int/comm/enterprise/enterprise_policy/ind_coop_programmes/med/doc/f1957ses_en.pdf (last checked 2/28/05).

[6] As stated in the National Microfinance Strategy Report, "many Jordanians consider the loans extended by the government as grants, which they do not need to repay. The government's objective of acting as a financial intermediary between the donors of funds and the extended beneficiaries was mistaken by the people as an act of social intermediation. Moreover, its presence as a direct funding source distorted the financial market and suppressed the development of private financing institutions." (p. 5) This is a not uncommon result of government-subsidized microlending and grantmaking.

[7] The National Microfinance Strategy Report states that there are about a dozen such MFIs.

[8] The Jordan Hashemite Fund for Human Development (JOHUD) has been engaged in microcredit since 1992. Its credit operation is now managed under the direction of the Small Business Development Center, which has insisted on strong collection procedures and lending at market. The Noor Al-Hussein Foundation (NHF), operating in accordance with Islamic lending practices, started a 'Quality of Life' program as a poverty alleviation tool without regard to cost recovery. However, NHF is the parent company of Jordan Micro Credit Company (JMCC) – one of the four big sustainability-oriented microlenders – and has adopted some of JMC''s best practices microlending, including stronger collection procedures, rescheduling of loans (as opposed to forgiving debts), and conducting comprehensive market assessments of all projects it considers funding.

already accessed considerable amounts of commercial debt financing, and expect to borrow more to finance anticipated future growth.

Initially, the NGO-based microcredit movement in Jordan focused primarily on group lending, although many microcredit associations relatively quickly began to offer individual loan products as well. Although today MFIs in Jordan are involved only in business purpose lending, a few are developing new products, including educational loans and construction loans, and one is hoping to offer microleasing services in 2005.

Because Jordanian law generally permits only lending-type activities and related technical assistance by organizations other than licensed formal financial institutions, none of the microlending organizations currently offers savings, transfer or insurance services. However, several organizations have partnered with mainstream financial institutions to introduce their clients to these other financial services.[9]

Annual disbursements by state-owned institutions involved in subsidized lending – in particular, the Development and Employment Fund and the Agricultural Credit Corporation – have significantly declined over recent years. There are ongoing efforts to reform the operations of these two state institutions to comply with international best practices in development finance.[10] Nonetheless, in 2004 the Development and Employment Fund lowered its interest rates charged on all loans to 4% flat, and the Agricultural Credit Corporation does not maintain a loan loss reserve and does not write off any loans as uncollectible.

Microfinance Association of Jordan (MAJ). In 2001, Jordanian microlenders, with support from the USAID-financed AMIR project, formed MAJ to represent the sector in advocating reform measures, to provide a forum for discussion of industry issues, and to deliver training. The intent was that MAJ would eventually take over many of the activities that had been undertaken by AMIR. Unfortunately, MAJ has not moved forward due to lack of funding and disagreements within the microfinance community regarding MAJ's membership and its policy positions.

National Microfinance Strategy. The stated objective of the National Microfinance Strategy (developed by the Jordanian Microfinance Committee established by MOPIC, with technical assistance made available by CGAP) is "to provide access to a wide range of financial services to the majority of the economically active poor households and microenterprises in Jordan." (p. 24) This is to "be achieved in a liberalized and market-oriented economy where the private sector is the implementer, and the Government

---

[9] Ahli Microfinancing Company has an explicit aim to 'graduate' successful borrowers to become customers of its parent bank.

[10] For example, the Development and Employment Fund (DEF) has recently established a collection department and assesses potential clients by focusing on project credibility and not only the level of poverty. In addition, DEF – which, in July 2002, entered into an agreement with the Ministry of Planning and International Cooperation (MOPIC) under which MOPIC agreed to grant of 5,000,000 JD to DEF for the purpose of lending the money to organizations that finance small and medium business enterprises – is working to ensure that all clients have a feasibility plan or business plan to support their loan requests.

provides the enabling environment for the efficient functioning of markets that encourage the participation of the private sector." (Id.)

III. CURRENT LEGAL AND REGULATORY FRAMEWORK FOR MICROFINANCE ACTIVITIES IN JORDAN

Currently Available Legal Forms. Jordanian law does not provide any general restriction on the range of legal entities that can carry out microlending.

1. <u>Nonprofit and for-profit companies with limited liability</u>. Currently, three of the four sustainability-oriented MFIs operate as nonprofit companies with limited liability. The fourth operates as a for-profit company with limited liability. The legal form of association is currently not available for MFIs due to the position of the Ministry of Social Development (which regulates associations) that the Charitable and Social Associations Law does not permit associations to engage in microlending.[11]

Nonprofit companies with limited liability and for-profit companies with limited liability are both governed by the Company Law although nonprofit companies are very scantly described. Although the nonprofit companies are prohibited from distributing net profits to their shareholders and other insiders and must instead use these to further their organizational purposes, there are few other requirements.

The ministry responsible for registering both nonprofit and for-profit companies, the Ministry of Industry and Trade, in practice exercises little oversight following initial registration. Although the Central Bank of Jordan is entitled under the Banking Law to regulate non-bank financial institutions, including lending companies, thus far it has not expressed any interest in regulating microlending companies.[12] These factors leave the microlenders extremely wide latitude to establish their own governance and management policies as well as their sphere of operation (such as target population, loan size and product range, provided that they don't engage in deposit taking, transfer services or other regulated activities).

2. <u>NGOs</u>. As mentioned, there are various NGOs (including JOHUD and NHF, both of which are royal entities) that have microlending programs offering subsidized products. The legal forms of these NGOs were not researched for this Report.

3. <u>Credit unions</u>. Credit unions currently register under an instruction issued by the Central Bank in 1982. According to the instruction, the Central Bank supervises the financial activities of credit unions, which must be formed as public companies with a minimum capital amount of 1,000,000 JD. The instruction also provides that credit

---

[11] One of the three nonprofit companies engaged in sustainability-oriented microlending, Microfund for Women, initially was formed as an association (the Jordanian Women's Development Society). Due to the position of the Ministry of Social Development, the association was dissolved and its portfolio was transferred to a newly formed nonprofit company with limited liability.
[12] The Controller of Companies is to coordinate with the Central Bank to assure that the stated objects and activities of any financial company that is in the process of incorporation are not in conflict with the provisions of the Banking Law.

unions are not authorized to take deposits from the public. (Despite the existence of a credit union legal form, the authors were not made aware of any use of this type of institution to provide financial services to poor people in Jordan.)

4. Financial leasing companies. Financial leasing companies are regulated by the Ministry of Industry and Trade and governed by a 2002 temporary law[13] on financial leasing. (Banks may engage in financial leasing pursuant to the Banking Law.) Currently, the financial leasing companies are not engaged in microleasing although there is no legal restriction that would prevent them from doing so.[14]

5. Banks. The authors did not identify any legal or regulatory obstacles to direct lending by licensed Jordanian banks to microentrepreneurs or poor clients. However, as noted above, no existing bank is engaged in any substantial volume of such lending.

Feasibility of 'Transformations.' Under many countries' laws, there is not a completely clear legal path for a nonprofit microlender to form a commercial affiliate and 'transform' by exchanging its portfolio and other property in return for shares in the new commercial company. In Jordan, this is also the case. No Jordanian law explicitly prohibits such a transaction in case of a nonprofit company with limited liability; however, the Ministry of Industry and Trade has stated that such an exchange is prohibited. In contrast, a nonprofit company is permitted to *sell* its portfolio to a for-profit company, provided that the consideration given by the purchasing company was not shares. Alternatively, a nonprofit could amend its constituent documents to permit a conversion into a for-profit company. According to Jordanian legal counsel, it is unlikely that there would be any tax consequences resulting from a conversion of a nonprofit into a for-profit.

Interest Rate Policies. Under Jordanian law, the Central Bank has the right to set maximum and minimum rates of interest on loans granted by financial institutions that are subject to the Banking Law and Central Bank regulations. Interest caps have been set in the past, and at least some Jordanian policymakers have expressed an interest in reviving this practice (although others strongly disagree). However, the Central Bank is in favor having the market determine the interest rate and is opposed to setting maximums or minimums. There is currently no minimum or maximum rate.

Deposit Insurance. The Deposit Insurance Corporation was established pursuant to a law passed in 2000. Deposit insurance applies only to Jordanian banks and branches of foreign banks and covers up to a maximum deposit of 10,000 JD (approximately USD 14,000). The fees charged to banks include (i) a 100,000 JD (approximately USD

[13] A temporary law has the legal force of a law. A temporary law is issued by the Council of Ministers; a 'regular' law is issued and ratified by the Parliament. Usually, a temporary law is issued while Parliament is not in session; Parliament is entitled to review the temporary law and amend, reject or approve it. According to Jordanian legal counsel, the delay in reviewing this temporary law may be due to the large number of other temporary laws requiring review.

[14] As observed above, any legal entity engaged in financial leasing must be registered with the Ministry of Industry and Trade as a financial leasing company. The minimum capital requirement for a financial leasing company is 1 JD (or approximately USD 1.4 million).

140,000) fee paid upon establishment of the bank (paid in two installments by banks established prior to passage of the law) and (ii) an annual fee equal to 0.25% of the bank's aggregate deposits.

Tax Issues. The income of a nonprofit company with limited liability is generally exempt from income tax except to the extent that the income is generated from commercial activities (such as lending). According to Jordanian counsel, a microlending company, whether nonprofit or for-profit, would be categorized as a 'financial institution' for tax purposes and would be subject to a 35% income tax rate applicable to financial institutions (versus the 25% rate applicable to 'service companies') although pursuant to a 2002 temporary law, the Council of Ministries may exempt any company from paying taxes and fees if there are good reasons for such exemption. In fact, in 2004, the government, in order to put microlending institutions on an equal footing with the to-be-established Bank for the Poor, granted them an exemption from income tax (and all other taxes). The duration of the applicability of such exemption is not specified in the Prime Minister's written statement announcing the decision of the Council of Ministers.

Jordanian law does impose sales tax generally on loan transactions. As noted, private sector microlenders are currently exempt from such tax.[15]

Credit Information Services. As of today, there are no credit bureaus operating in Jordan. USAID is supporting the establishment of a national credit bureau. There is a temporary credit information law that was approved by the Ministry of Industry and Trade in July 2003. However, the Central Bank has not yet issued instructions on licensing of credit bureaus and, according to Jordanian legal counsel, will likely not issue such instructions until Parliament has approved the temporary law. No credit bureau can be formed before the licensing instructions are issued.

The temporary law permits licensed companies to issue personal credit reports. Under the temporary law, credit bureaus may be accessed (i) by interested persons pursuant to an application and upon the approval of the data subject and (ii) pursuant to a court order. The law requires that credit bureaus take all the necessary measures to ensure that the information is up-to-date, accurate and comprehensive.

The Central Bank, which is required by law to provide licensed banks with credit information relating to their clients, has established the following practice: banks and financial companies, upon receipt of an application for a loan, may notify the Central Bank. The Central Bank will notify the bank or financial company if (i) the loan applicant has been granted a loan(s) by any other bank or financial company and (ii) the total debt of such person (of which the Central Bank is aware) exceeds 30,000 JD.

---

[15] There is a history behind the government's grant of tax exemption to microlending institutions. Each of the sustainability-oriented nonprofit microlenders negotiated its own ad hoc exemption from sales tax; all of these exemptions were believed to be vulnerable to challenge for different reasons. After complaints from the sector about the uneven playing field created by the blanket tax exemption afforded the Bank for the Poor under its special law, the government extended the same treatment (regarding sales tax and all other taxes) to private sector microlenders.

Jordanian legal counsel advised that non-regulated financial companies (such as MFIs) could participate in this scheme given that the information that would be provided to the lender is general and does not include any details on the loans or on borrowers who have debt outstanding of less than 30,000 JD. However, this 30,000 JD threshold would most likely render the practice unhelpful to most MFIs.

Foreign Investment and Foreign Exchange Issues. There are no restrictions on foreign investment in lending institutions and other financial institutions. Jordanian currency is not yet fully convertible, although the government has embarked on a multi-year plan to move in this direction. Regarding the ability to make loans in foreign currency, the Central Bank has advised Jordanian counsel that any company may grant loans in foreign currency (without any license requirement) if the company's stated objectives in its Memorandum of Association explicitly refer to this activity.

IV. SUMMARY OF POLICY-RELATED OBSTACLES

The following represents a general summary of significant policy-related obstacles observed during the mission (or reported to the authors thereafter) that face microfinance in Jordan given the current state of the legal and regulatory framework, or that appear likely to become important in the near future:

Bank for the Poor. Still relatively little has been disclosed publicly about the specific plans for the Bank for the Poor and, in the absence of public information, much concern has been expressed that the institution might be operated in a manner that could damage the existing private microlending sector (such as by engaging in direct lending at subsidized rates or by permitting lax repayment discipline). Concern has also been expressed that the Bank for the Poor should be made operational only after a rigorous feasibility study is conducted aimed at determining its capacity to operate sustainably (and recommending alterations to its business plan if the study indicates that current plans would not permit sustainable operations).

Other government-backed subsidized direct lending. As noted above, the Development and Employment Fund and the Agricultural Credit Corporation are indicating their interest in following international best practices. However, the Development and Employment Fund has not yet been willing to give up providing loans at subsidized interest rates and the Agricultural Credit Corporation still is not in the practice of writing off defaulted loans.

Credit reference services. Until the pending draft Credit Bureau Law is passed by Parliament and the Central Bank issues an instruction for licensing of credit bureaus, the four commercially-oriented MFIs will continue to engage in an informal client evaluation system. While this mechanism provides a temporary solution to securing appropriate credit histories, it is not an efficient system nor does it provide the full scope of information that would be available through the credit reporting system (as conceived in the draft law). Additionally, this informal method of checking credit histories is open to abuse and would not be effective if the number of MFIs were to grow.

Concern over the absence of a comprehensive regulatory framework specifically applicable to microlenders. Like many practitioners the world over, some Jordanian practitioners have voiced the position that the specific regulatory obstacles they face could be solved by a single, comprehensive law or regulation on 'microfinance.' In fact, they seem not to appreciate the relatively benign legal and regulatory environment in which they currently operate or, most important, the dangers that an attempt at the adoption of a comprehensive law or regulation on microfinance could trigger (such as imposition of interest rate caps, prudential-style regulation of nondepository institutions, or even simply the imposition of a rigid definition of microlending that could limit their product offerings or eligible clientele).

Scant provisions governing nonprofit companies with limited liability. Although the sparseness of the specific requirements applicable to nonprofit companies with limited liability operates in favor of the current microlending organizations that have this legal form, the possibility exists for this flexibility to be exploited to the detriment of the reputation of the sector.[16]

Leasing company provisions. Any legal entity (other than a licensed bank) engaged in financial leasing must be registered with the Ministry of Industry and Trade as a financial leasing company, and the required minimum capital is extremely high: 1 million JD (or approximately USD 1.4 million).[17] If this requirement is enforced with respect to Jordanian MFIs, it will put microleasing out of the reach of any existing market players.

V. GENERAL RECOMMENDATIONS FOR POLICY-RELATED ACTIVITIES IN JORDAN

The following recommendations would not tackle all of the obstacles identified in this Report. Rather, they focus on interventions that CGAP or specific CGAP member donors or partners – or the indigenous microfinance sector itself – appear to have a clear comparative advantage to address.

Bank for the Poor. CGAP is in a position to fund, help design and find qualified consultants to perform the feasibility study discussed above. Discussions have begun among AGFUND, the Jordanian government and newly appointed Board members of the Bank for the Poor on ways to position the Bank for the Poor to contribute to, rather than undermine, the development of best practices for microfinance in Jordan.

Awareness-building activities with policymakers, particularly on likely effects of interest rate-related regulatory policies. Although interest rates are not capped in Jordan

---

[16] For example, given the absence of any limitation in the law or regulations governing loan size, a finance company making larger loans to affluent borrowers might currently be organized in this legal form in order to achieve tax exemption, and then evade the restrictions on distributions to insiders through interest-free insider lending and excessive compensation.

[17] It is interesting to note, by way of comparison, that Egyptian leasing companies face required minimum capital of only 500,000 Egyptian Pounds, or approximately $86,350.

presently, they have been in the past and at least some policymakers have expressed concern recently about the high rates necessary for sustainable microlending, as well as an interest in knowing how stimulating competition in the microfinance sector can improve efficiency and bring down rates. CGAP might consider an in-country gathering with policymakers on this and related topics as an opportunity to 'test drive' ongoing work being done to gather and analyze data on these topics. This activity might be linked with recommended activities developed in connection with the National Microfinance Strategy, which provides explicitly that the government will implement a market-oriented interest rate policy for microfinance.

Awareness-building activities with practitioners on likely consequences of legislative and/or regulatory change, given the existing relatively benign environment. Given the dangers that an attempt at the adoption of a comprehensive law or regulation on microfinance could trigger (a route that some Jordanian practitioners have been advocating), policy awareness-building activities with practitioners could also be beneficial. This activity might also be linked with activities taken in connection with the National Microfinance Strategy, which includes as one of the necessary reform measures the establishment of an "appropriate supervisory and regulatory framework for MFIs" with the explicitly stated objective of enabling the MFIs to develop "new and innovative product lines and services appropriate to the demand for such financial services/products by the economically active poor." (National Microfinance Strategy Report, pp. 27-8)

Scant provisions governing nonprofit companies with limited liability; review of options for regulatory elaboration of standards for nondepository microfinance under the Company Law. The government has the power to adopt regulations elaborating the standards for the various types of legal entities described under the Company Law. (In fact, a draft of regulations on nonprofit companies was already produced on behalf of the AMIR project, but was set aside.) Consideration could be given to resurrecting this project as a modest and targeted alternative to the more grandiose (and potentially counterproductive) reform ideas being discussed among some practitioners. This could begin with a CGAP desk review of the previously produced draft, with assistance from the AMIR-affiliated lawyers (to answer questions about the broader legal and regulatory context). Consideration might also be given to whether the regulations could treat microlending more broadly, by, for example, providing a framework for nonprudential regulatory treatment of all microlenders formed under the Company Law, rather than just nonprofit companies.

Targeted exemption from leasing company provisions. One of Jordan's strong MFIs has already engaged in a market study to introduce a microleasing product. However, it is highly unlikely that it or any of the three other strong current players in Jordanian microfinance will be able to meet the exceptionally high minimum capital required for registration as a financial leasing company with the Ministry of Industry and Trade (1 million JD, or approximately USD 1.4 million). A targeted exemption might be considered to permit Jordanian MFIs to offer microleasing products without meeting the high minimum capital requirement applicable to financial leasing companies generally.