

# Microfinance Industry Profile

## Jordan



**SANABEL**

The Microfinance Network of Arab Countries

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# Abbreviations & Acronyms



<b>AFD</b>	Agence Française de Développement
<b>AMC</b>	Ahli Microfinance Company
<b>AMIR</b>	Achievement of Market-Friendly Initiatives and Results Program
<b>CAB</b>	Cairo Amman Bank
<b>CAPMAS</b>	Central Authority for Public Mobilization and Statistics
<b>CGAP</b>	Consultative Group to Assist the Poor
<b>CHF</b>	Cooperative Housing Foundation
<b>DEF</b>	Development and Employment Fund
<b>IFC</b>	International Finance Corporation
<b>JD</b>	Jordanian Dinar
<b>JMCC</b>	Jordan Micro Credit Company (Tamweelcom)
<b>JOHUD</b>	Jordanian Hashemite Fund for Human Development
<b>KfW</b>	Kreditanstalt für Wiederaufbau
<b>KHF</b>	King Hussein Foundation
<b>MAJ</b>	Microfinance Association of Jordan
<b>MEMCC</b>	Middle East Microcredit Company
<b>MFI</b>	Microfinance institution
<b>MFW</b>	Microfund for Women
<b>MIT</b>	Ministry of Industry and Trade
<b>MOPIC</b>	Ministry of Planning and International Cooperation
<b>MOSD</b>	Ministry of Social Development
<b>NGOs</b>	Non-governmental organization
<b>NHF</b>	Noor Al-Hussein Foundation
<b>NMB</b>	National Microfinance Bank
<b>PAR</b>	Portfolio at risk
<b>SEEP</b>	Small Enterprise Education and Promotion
<b>SME</b>	Small and medium-sized enterprise
<b>SSC</b>	Social Security Corporation
<b>UNCDF</b>	United Nations Capital Development Fund
<b>UNDP</b>	United Nations Development Programme
<b>UNRWA</b>	United Nations Relief and Works Agency for Palestinian Refugees in the Near East
<b>USAID</b>	United States Agency for International Development
<b>USD</b>	United States Dollar
<b>WWB</b>	Women's World Banking

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Notwithstanding the valuable contributions of all the aforementioned parties, this work is the responsibility of Sanabel, and, as such, the network is responsible for any errors or oversights contained within.



## 1.0 Introduction

Jordan Country Profile is one in a series of reports published by Sanabel on the Arab microfinance industry. The intent of these reports is to offer practitioners, donors, investors, researchers and other industry stakeholders a concise overview of the country sector and latest trends in microfinance in a format that can easily be updated on a periodic basis. Updates to this report including data contained in the table and charts will be posted on the Arabic Microfinance Gateway and on Sanabel's website as new information and operational and financial results become available. To make comparisons between countries in the Arab world, regional versions of the tables and charts in this report will also be posted on these websites.

Data sources for this report include the Sanabel Industry Survey, which is an annual survey of both Sanabel members and non-members, as well as the information collected by Sanabel and published annually in the MicroBanking Bulletin (MBB) by the Microfinance Information Exchange (MIX) and included in the annual Arab Benchmarking Report that is co-written by Sanabel and the MIX. Data for the Sanabel Industry Survey is largely self-reported by the microfinance institutions whereas data collected for the MIX is verified by Sanabel.

## 2.0 Overview of Microfinance in Jordan

With a population of about 5.7 million people<sup>1</sup> and average annual population growth of 3.2%,<sup>2</sup> Jordan is a growing market in the Arab world. Similar to other countries in the region, more than one-third (37.2%) of Jordan's population is under the age of 15 years.<sup>3</sup> With a GNI per capita income of \$2,850, Jordan is classified as a lower middle income (LMC) country by The World Bank.<sup>4</sup> According to a 2002 national population survey, 14.2% of the population, or 812,077 people, live below the national poverty line in Jordan.<sup>5</sup>

In terms of outreach, Jordan is the fourth largest microfinance<sup>6</sup> market in the Arab region, following Egypt, Morocco and Tunisia, all of which have larger populations than Jordan. At year-end 2008, the Jordanian market consisted of 144,232 active clients and a gross loan portfolio (GLP) of about \$127 million, accounting for 8.5% of the regional market according to GLP.

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<sup>1</sup> World Development Indicators 2008, The World Bank, Washington, DC.

<sup>2</sup> 2007 World Development Report, The World Bank, Washington, DC.

<sup>3</sup> United Nations Development Programme, Human Development Report 2007/2008, New York, 2007.

<sup>4</sup> World Development Indicators 2008, The World Bank, Washington, DC.

<sup>5</sup> Poverty Data: A Supplement to World Development Indicators 2008, The World Bank, Washington, DC.

<sup>6</sup> Microfinance is defined as the provision of financial services to the poor.

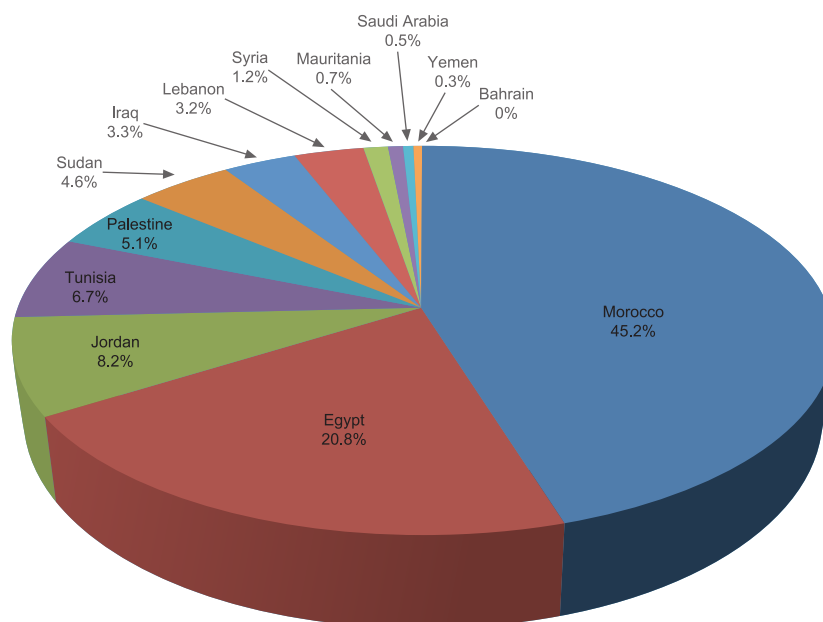


Table 1: Arab Region Total Outreach, 2005-2008

	2005 Clients	% Region	2006 Clients	% Region	2007 Clients	% Region	2008 Clients*	% Region
Egypt	549,699	36.3%	751,529	33.1%	1,119,553	37.5%	1,310,465	41.7%
Morocco	632,310	41.7%	1,123,321	49.5%	1,370,555	45.9%	1,262,255	40.2%
Tunisia	109,332	7.2%	123,504	5.4%	146,308	4.9%	177,124	5.6%
Jordan	50,873	3.4%	77,778	3.4%	113,734	3.8%	144,232	4.6%
Lebanon	46,070	3.0%	42,109	1.9%	47,288	1.6%	53,759	1.7%
Iraq	14,690	1.0%	15,234	0.7%	24,597	0.8%	36,216	1.2%
Yemen	23,674	1.6%	33,934	1.5%	32,387	1.1%	33,551	1.1%
Palestine	27,484	1.8%	25,592	1.1%	22,863	0.8%	31,685	1.0%
Sudan	7,233	0.5%	10,620	0.5%	21,439	0.7%	30,830	1.0%
Mauritania	4,210	0.3%	7,540	0.3%	23,281	0.8%	28,464	0.9%
Syria	45,175	3.0%	50,611	2.2%	54,617	1.8%	22,861	0.7%
Saudi Arabia	2,000	0.1%	7,000	0.3%	7,012	0.2%	7,064	0.2%
Bahrain	2,175	0.1%	2,175	0.1%	2,175	0.1%	2,175	0.1%
<b>Total</b>	<b>1,514,925</b>		<b>2,270,947</b>		<b>2,985,809</b>		<b>3,140,681</b>	

\* For some MFIs where FY 2008 data was not available, FY 2007 data was used instead.

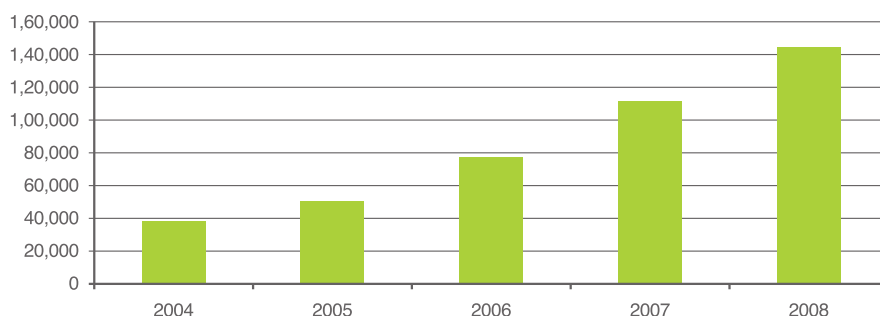
Chart 1: Market Share by Gross Loan Portfolio, 2008



An increasingly high unemployment rate, growing poverty and rising prices characterized the Jordanian economy in the early 1990s. To counter these effects, the Government of Jordan under the Ministry of Planning and International Cooperation (MOPIC) partnered with the United States Agency for International Development (USAID) to initiate the USD 40 million Access to Microfinance and Improved Implementation of Policy Reform (AMIR) Program in 1998. The AMIR program included several training initiatives, such as the first loan officer training program for microfinance practitioners in the Arab region. In addition to providing support to the Jordanian Women's Development Society (JWDS), which became Microfund for Women, AMIR was instrumental in creating three other sustainable Jordanian microfinance institutions (MFIs) in the 1990s: Tamweelcom, Ahli Microfinance Company (AMC) and the Middle East Microcredit Company (MEMCC). UNRWA began providing microloans in Jordan to Palestinian refugees. The Development and Employment Fund (DEF), a quasi governmental organization, has played a strong role as both a wholesale and retail lender in Jordan's microfinance sector. In 2006, National Microfinance Bank (NMB) entered the market, followed by new entrant FINCA in 2007.

The graphs below provide a historical overview of the growth in number of active borrowers and in gross loan portfolio (GLP) in Jordan over the last five years. Outreach has increased from 39,023 in 2004 to 144,232 in 2008, a growth of 39% with the largest annual percentage growth occurring between 2005 and 2006.

Chart 2: Active Clients in Jordan, 2004-2008



Gross loan portfolio has grown from \$18 million 2004 to \$127 million in 2008. The compound annual growth rate (CAGR) of GLP between 2004 and 2008 is 63%, with the largest annual growth occurring between 2004 and 2005.

Chart 3: Gross Loan Portfolio in Jordan, 2004-2008

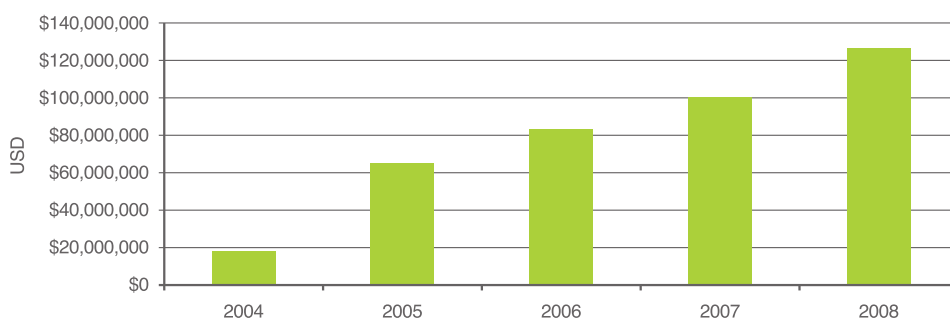


Chart 4: Assets Volume in Jordan, 2006-2008

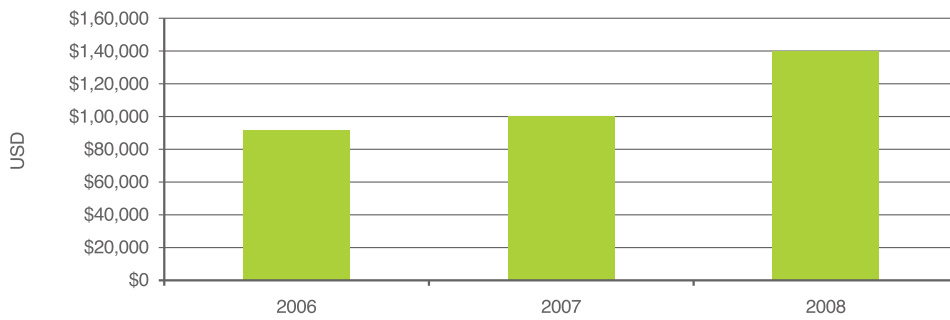


Chart 5: Liabilities Volume in Jordan, 2006-2008

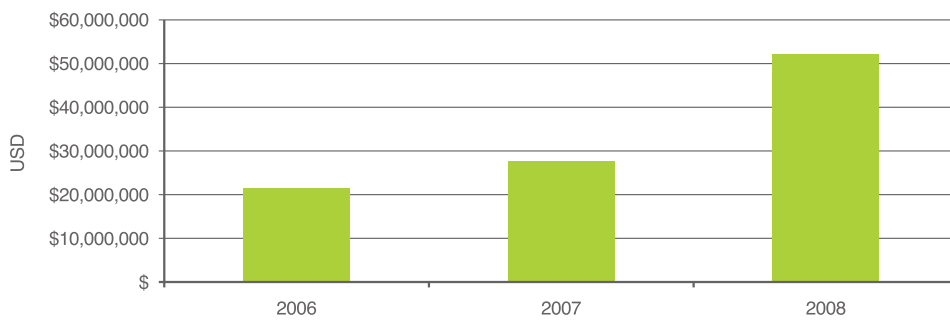


Chart 6: Equity Volume in Jordan, 2006-2008

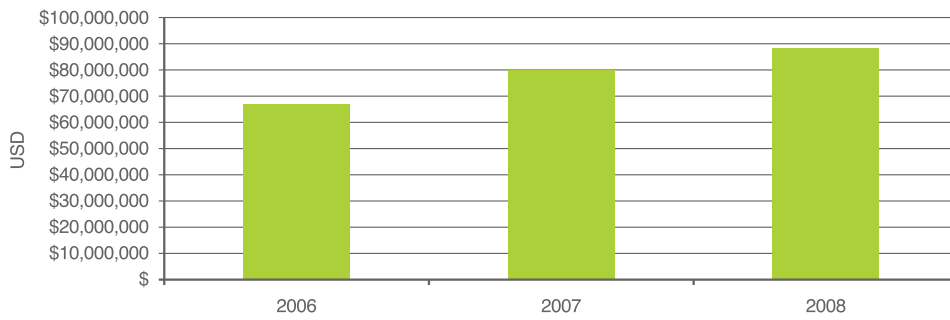


Chart 7: PAR > 30 Days (USD) in Jordan, 2006-2008



### 3.0 Demand for Microfinance in Jordan

While there have been many studies conducted over the last several years, microfinance practitioners in Jordan generally believe that demand for microfinance in Jordan is about 200-250,000 households. Applying the national poverty line statistic of 14.2% to today's population of 5.7 million people, approximately 812,077 people live below the poverty line. Assuming that all of these people are interested in and eligible for a microfinance loan and more than one person per household takes a loan, penetration as of year-end 2008 is only 18%, implying a market gap of 82% or 667,845 potential microfinance clients.

In June 2002, AMIR commissioned the Community Development Group (CDG) to conduct a national market survey in Jordan in order to determine demand. The study concluded that the 137,374 established micro and small enterprises (MSEs), where 74,045 are willing to borrow, require JD 220 million (USD 308 million) in loan capital.<sup>7</sup>

In 2004, the United Nations Development Capital Development Fund (UNCDF) published a report that estimated demand at 94,555 potential microfinance clients.<sup>8</sup> The following table estimates the potential demand for microfinance using the 2004 UNCDF approach. The approach assumes that only one loan per household is given and that only 40% of the possible borrowers are interested in or eligible for a loan. In addition, the amount of possible poor has been increased by 20% due to the tendency of governments to estimate poverty conservatively.

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<sup>7</sup> Community Development Group, *Update Credit Demand Survey, Achievement of Market-Friendly Initiatives and Results Program*, United States Agency for International Development, October 2002, p. 27.

<sup>8</sup> Brandsma, Judith and Deena Burjorjee, *Microfinance in the Arab States: Building Inclusive Financial Sectors*, The United Nations Capital Development Fund, New York, New York, 2004, p. 49.

Table 2: Estimated Demand for Microfinance In Jordan

			UNCDF Report 2004*	Updated May 2009
<b>A</b>	Population**		5,171,00	5,718,85
<b>B</b>	Average number of persons per households***		7.0%	6.2%
<b>C</b>	Number of households	A divided by B	738,714	922,39
<b>D</b>	Poverty rate (%)****		12.0%	14.2%
<b>E</b>	Number of poor households	C multiplied by D	88,646	130,98
<b>F</b>	Number of nearly poor households	20% of C	147,748	184,47
<b>G</b>	Estimated number of households below poverty line	E plus F	236,389	315,45
<b>H</b>	Market potential	40% of G	94,555	126,18

\* Brandsma, Judith and Deena Burjorjee, Microfinance in the Arab States: Building Inclusive Financial Sectors, The United Nations Capital Development Fund, New York, New York, 2004, p. 49.

\*\* World Development Indicators 2008, The World Bank, Washington, DC.

\*\*\* 1994 Jordan Census, World Development Indicators 2007, The World Bank, Washington, DC.

\*\*\*\* 2002 National Poverty Line Data: A Supplement to World Development Indicators 2008, The World Bank, Washington, DC.

## 4.0 Microfinance Providers in Jordan

The microfinance sector in Jordan includes credit providers structured as quasi-governmental organizations, non-government organizations (NGOs), non-profit companies, for-profit companies and financial institutions. The largest microfinance providers are registered as non-profit companies.

Table 3: Microfinance Providers In Jordan

Quasi-Governmental Organizations	Non-Governmental Organizations	Non-Profit Companies	For-Profit Companies	Financial Institutions
DEF	UNRWA	MFW	AMC	CAB
	Self-help groups	Tamweelcom		
		MEMCC		
		NMB		
		FINCA		

Below is a summary of outreach information for key microfinance providers in Jordan as of year-end 2008. Eight of the MFIs in Jordan serve about 142,000 active clients with a GLP of almost US\$123 million. The average loan balance for these providers is US\$ 864, which accounts for 30% of Jordan's 2008 GNI per capita of US\$2,850. If the commonly used 20% metric is applied, whereas an institution is considered to be poverty focused if its average loan balance is less than 20% of GNI per capita, FINCA Jordan, MFW and Tamweelcom would be considered to be poverty-focused MFIs.

Table 4: 2008 Outreach Information for Key Microfinance Providers in Jordan

	MFI Provider	Active Borrowers (#)	Women Borrowers (%)	Rural Borrowers (%)	Gross Loan Portfolio (USD)	PAR > 30 days (%)	Average Loan Balance (USD)	Average Loan Balance GNI Per Capita (%)
1	Al Watani	20,900	85%	65%	15,311,587	1.6%	733	26%
2	AMC	2,946	50%	52%	4,647,177	12.7%	1,577	55%
3	DEF	17,515	59%	31%	50,138,801	2.0%	2,863	100%
4	FINCA Jordan	9,062	98%	18%	2,391,331	0.0%	264	9%
5	Tamweelcom	39,352	95%	57%	14,645,631	0.2%	372	13%
6	MEMCO	11,552	47%	66%	15,873,860	0.3%	1,374	48%
7	MFW	36,944	96%	NA	16,024,254	2.0%	434	15%
8	UNRWA	3,711	11%	NA	3,640,341	5.2%	981	34%
	TOTAL	141,982			122,672,981		864	30%

#### 4.1 Quasi-Governmental Organizations

- Development and Economic Fund (DEF):** DEF was established in 1989 as a governmental organization following a ministers' council decision and started its operations in February 1991 under the umbrella of the Industrial Development Bank. In 1992, it became independent and is entrusted with the development and finance of small business projects. DEF acts as both a direct retail lender and governmental wholesale lender to MFIs. A recent CGAP study notes, "DEF's role in the Jordanian microfinance sector has deviated somewhat from the role of on-lender set forth in the National Microfinance Strategy - according to DEF statistics, less than 10% of DEF's total outstanding portfolio is currently disbursed as wholesale loans to MFIs."<sup>9</sup>

#### 4.2 Non-Governmental Organizations

There are several non-governmental organizations (NGOs), such as UNRWA, that offer microlending as one of the services that they provide. In addition, there are about 200 local microcredit schemes operating as village banking, self-help groups with savings and credit components. These programs are more common in the rural areas and are often part of the Jordan Hashemite Fund for Human Development (JOHUD).

<sup>9</sup> Abbassi, Ala'a, Mohammed Khaled, Klaus Prochaska and Michael Tarazi, Access to Finance: Microcredit and Branchless Banking in The Hashemite Kingdom of Jordan, Consultative Group to Assist the Poor, Washington, DC, March 16, 2009, p. 10.

### 4.3 Non-Profit Companies

- Microfund for Women (MFW): Originally known as the Jordanian Women's Development Society, MFW started as a pilot lending program initiated by Save the Children in Jordan in 1994. In 1996, it started its operations as a local NGO with a group lending program providing poor women with access to credit. In 1999, MFW was registered as a not-for-profit limited liability company.
- Jordan Micro Credit Company (Tamweelcom): Tamweelcom was established in 1999 and is fully owned by Noor Al-Hussein Foundation (NHF), which operates as an independent entity under the umbrella of the King Hussein Foundation (KHF). Tamweelcom disburses loans to low-income individuals and unbankable clients.
- Middle East Microcredit Company (MEMCC): MEMCC started as a Cooperative Housing Foundation (CHF) affiliate program in 1998, transforming in 2003 into a limited liability company, with plans to operate in rural areas. It was born in a project set up by three main Jordanian banks and a domestic foundation to provide microfinance services to low and middle income Jordanians, especially micro and small enterprises.
- National Microfinance Bank (NMB): As one of the banks for the poor promoted by the AGFUND, NMB was established under a special law as a private shareholding non-profit company owned by the King Abdullah II Fund for Development, AGFUND and two private sector investors. NMB disbursed its first loans in 2006.
- FINCA Jordan: FINCA International has pioneered the village banking methodology of credit delivery worldwide. FINCA entered Jordan in late 2007 and is not present in any other countries in the Arab region.

### 4.4 For-Profit Companies

- Ahli Microfinance Company (AMC): AMC was established in 1999 as the first for-profit company microfinance institution. It is owned 100% by the Jordan National Bank, a private commercial bank. With an average loan balance that is 55% of Jordan's 2008 GNI per capita income of \$2,850, AMC does not have the same depth of outreach as FINCA, Tamweelcom or MFW.

### 4.5 Financial Institutions

- Cairo Amman Bank (CAB): CAB is the only commercial financial institution in Jordan that is providing microfinance services. With support from CGAP, CAB began disbursing loans in 2007. At year-end 2008, CAB had 2,099 outstanding loans with an outstanding portfolio of USD 2.4 million.

## **5.0 Microfinance Products**

The majority of microfinance activity in Jordan is microcredit. This includes group solidarity loans, individual and seasonal loans to the poor and unemployed for financing existing projects as well as start-ups. Recently a few MFIs have begun to offer consumer credit products including vehicle and education loans.

### **5.1 Microcredit**

Credit products are provided to both individuals and groups and target both men and women. Further lending schemes include household loans, mainly offered to women who have home-based businesses; vehicle lending, specifically for income-generating vehicles; a university students funding program, with the purpose of financing tuition fees of poor students; and maternity loans for pregnant women. Other credit products include Islamic loans, mainly designed to meet the market demand for vehicle lending, and a Social Security Corporation (SSC) retirees financing program intended for financing small and micro projects of SSC retirees.

### **5.2 Microsavings**

Jordanian law does not allow deposits other than licensed formal financial institutions. Accordingly, none of the microlending organizations currently offers savings, transfer or insurance services. To improve services nevertheless, several organizations have partnered with commercial financial institutions.

### **5.3 Microinsurance**

Some Jordanian microfinance providers have partnered with local insurance companies to provide life insurance and health insurance programs to their existing clients.

### **5.4 Microleasing**

More recently, leasing products have been launched, allowing micro and small entrepreneurs to acquire fixed assets necessary for their ventures on better terms.

### **5.5 Non-Financial Services**

Non-financial services currently offered include vocational training, primary school educational scholarships for the children of microfinance clients, and business development services.



## 6.0 Microfinance Meso-Level Organizations

Currently, the following organizations can be identified as the key players in the Jordanian microfinance sector. Section 8.0 includes additional information on organizations providing funding to the sector.

### 6.1 International Organizations

- United States Agency for International Development (USAID): USAID has been supporting the microfinance sector in Jordan since the 1990s when it funded and established the AMIR Program. USAID has provided technical and funding support to MFW, Tamweelcom, MEMCC and AMC.
- (AFD): AFD has partnered with Société Générale de Banque - Jordanie (SGBJ) to offer concessional loans to MFIs against a facility to SGBJ. Tamweelcom and MEMCC have both borrowed against this facility.
- Spanish Agency for International Cooperation (AECID): AECID provides concessional hard currency loans in Euros to MFIs in Jordan and has signed loan agreements with Tamweelcom, NMB and MFW.
- Consultative Group to Assist the Poor (CGAP): CGAP published a report<sup>10</sup> in March 2009 based on a policy diagnostic mission conducted in Jordan in November 2008 to evaluate the policy and regulatory environment for microcredit and branchless banking. The CGAP mission was organized by and organized by the Jordanian Ministry of Planning and International Cooperation (MOPIC).
- International Finance Corporation (IFC): IFC is working with MFW and has provided both technical and financial support through a partial credit enhancement. In addition, IFC has provided technical support to DEF and FINCA. IFC will also support business planning for Al-Ittihad.
- Grameen-Jameel Pan-Arab Microfinance Ltd: Grameen-Jameel, a social business jointly owned by Grameen Foundation and Abdul Latif Jameel Group based in Dubai, UAE, formed a partnership with Tamweelcom in 2008 through providing a partial credit enhancement and business planning support.
- Women's World Banking (WWB): WWB has one network member in Jordan, MFW, who has been part of the WWB network since 2005. WWB has three other network members in the Arab region in Morocco, Tunisia and Egypt.
- FINCA International (FINCA): FINCA International is the owner of FINCA Jordan, which was established as a non-profit company in Jordan in 2007. HM Queen Rania Al-Abdullah serves on the Board of Directors of FINCA International.

<sup>10</sup> Abbassi, Ala'a, Mohammed Khaled, Klaus Prochaska and Michael Tarazi. Access to Finance: Microcredit and Branchless Banking in The Hashemite Kingdom of Jordan, Consultative Group to Assist the Poor, Washington, DC, March 16, 2009.

## 6.1 International Organizations (continued)

- Cooperative Housing Foundation (CHF International): MEMCC is wholly owned by CHF International, who is active in Jordan in child labor and community development in addition to microfinance.
- PlaNet Finance: PlaNet Finance opened its office in Jordan in May 2006, where it conducted a national impact and market study in partnership with the Microfinance Association of Jordan (MAJ). The study, which was funded by the AFD, was implemented under a contract signed between the Jordanian Ministry of Planning and International Cooperation (MOPIC) and PlaNet Finance UAE.

## 6.2 Microfinance Associations

- Microfinance Association of Jordan (MAJ): MAJ was established in 2001 with support from AMIR with the objective of supporting the microfinance sector in Jordan. The objective was for MAJ to replace AMIR in several of its activities. At the time of establishment, members of the Association included the MFW, DEF, AMC, MEMCO, Tamweelcom, National Microfinance Bank and JOHUD, in addition to the Al Sharq Al ëUrdoni Foundation and the Jordan River Foundation. 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. While still officially existent, the plans are to replace MAJ with the new association Al Ittihad, which consists of MFI board members but will eventually be replaced by MFI senior management.
- Sanabel: Sanabel is a regional microfinance network with eight members in Jordan (see Appendix II) and 66 members across the Arab region. Sanabel collects and analyzes industry performance data for the region for the MIX Market and offers a range of technical training courses to its members. Additionally Sanabel manages the Arabic Microfinance Gateway and hosts the largest microfinance conference in the region on an annual basis.

## 6.3 Credit Bureau

Although a credit bureau law was passed in Jordan in 2003, instructions for licensing of credit bureaus have not yet been issued by the Central Bank of Jordan. However, currently a system of informal information sharing was created to assess the creditworthiness of individuals and small businesses and their ability to pay back a loan. As a result, six MFIs and JOHUD signed an agreement to exchange information among themselves on the credit history of their clients through a credit information system. This system includes the basic information of the client (name and ID), status of the client (active or inactive client), and whether s/he is a guarantor for another client. The system became functional in 2008 and currently has seven users.

## 7.0 Legal and Regulatory Structure

### 7.1 National Microfinance Strategy

In 2005, the Jordanian Council of Ministers approved a National Microfinance Strategy that was developed by MOPIC with support from CGAP. The Strategy's objective is to provide access to a wide range of financial services to the majority of the economically active poor households and microenterprises in Jordan through a liberalized and market-oriented economy where the private sector is the implementor, and the

Government provides the enabling environment for the efficient functioning of markets that encourage the participation of the private sector.<sup>11</sup> The Strategy has thus identified the role of the government as an enabler for the industry growth without engagement in direct provision of services.

### 7.2 Overview of the Regulatory Framework

There is not a microfinance law in Jordan that regulates microfinance providers. Accordingly, the regulatory framework affecting the microfinance activities consists of several laws based on the legal structure of the actual microfinance provider. As a result, various governmental bodies are engaged in the supervision of microfinance activities, creating confusion and differences in regulation.

The largest microfinance providers are non-profit companies supervised by the Companies Control Department (CCD) at the Ministry of Industry and Trade (MIT), which exercises very limited if any supervision of these institutions. The Central Bank of Jordan is authorized to regulate non-banking financial institutions (NBFIs), including lending companies; however, the Central Bank has had very little involvement with microfinance regulation to date. In 2008, a new Associations Law declared all non-profit companies to be associations and authorized the Ministry of Social Development (MOSD) to determine the proper governmental authority responsible for supervising non-profit companies. As a result, some of the existing non-profit companies may transform to for-profit companies in order to be regulated by the MIT under the Company Law.

- **Companies:** There largest MFIs are registered as limited liability companies under Company Law No. 22 of 1997. Most of these companies are registered as non-profit, with the exception of AMC, which is a for-profit company owned by the Jordan National Bank. Companies are prohibited from deposit-taking unless they transform into banks. Therefore, their microfinance services are limited to credit (mainly group lending and individual lending, and more recently education loans and construction loans). Until 2004, microfinance companies were subject to a 35% income tax applicable to financial institutions. However, in 2004, the Council of Ministers exempted microfinance companies from all taxes to create a level playing field in the industry given that the newly established National Microfinance Bank (Bank for the Poor) was exempted from all taxes.
- **Financial Institutions:** Financial institutions are regulated by the Central Bank of Jordan. The Central Bank's loan classification and provisioning requirements do include restrictions on lending unsecured loans. In addition, banks are subject to the 35% income tax from which non-profit microfinance companies are exempt, creating higher costs that would need to be passed on to the client.
- **NGOs:** NGOs are supervised by the MOSD in Jordan and can engage in lending. They are exempted from all taxes.

<sup>11</sup> Ministry of Planning & International Cooperation, The Hashemite Kingdom of Jordan, "National Strategy for Microfinance," [http://www.mop.gov.jo/uploads/National\\_Strategy\\_for\\_Microfinance.pdf](http://www.mop.gov.jo/uploads/National_Strategy_for_Microfinance.pdf), p.5.

## 8.0 Financing Sources

The primary funding sources of microfinance in Jordan has been donors, Jordanian government through DEF, commercial banks and microfinance investment vehicles. Over the last few years, the Jordanian market has become increasingly commercialized with debt financing becoming predominant, although larger sized loans from banks are supported with credit enhancements and clean medium-long term loans are not common.

While donor funding started with USAID's support of the sector in the 1990s, donors today such as the AFD and AECID are providing either direct loans or loan guarantees in partnership with local commercial banks. While this funding tends to be below market rates and denominated in hard currency, there has been a significant transition from subsidized funding to longer-term commercial lending.

Commercial banks have shown the greatest interest in wholesale lending to Jordan's microfinance sector. In addition, bank debt financing is in local currency, preventing the MFI from carrying the foreign exchange risk. While financing structures have primarily been overdraft facilities and medium term loans, some of the banks have expressed interest in more sophisticated structures such as securitization and bond offerings. Financial leverage on credit enhancements in Jordan has been among the highest in the region, with Grameen-Jameel securing 3.3x leverage on a guarantee to Tamweelcom in 2008. The following banks are active in lending to Jordanian MFIs:

- Société Générale de Banque - Jordanie
- Citibank
- Standard Chartered Bank
- ABC Bank
- Jordanian Bank for Credit & Finance
- Housing Bank
- Arab Egyptian Real Estate Bank
- Jordanian Bank for Investment & Finance
- Arab Jordan Investment Bank

Social investors and microfinance investment vehicles (MIVs) have entered the Jordanian market and are lending to MFW, Tamweelcom and NMB. BlueOrchard, Responsibility, Triodos, Oikocredit, Symbiotics and Calvert Foundation have been active to date and new MIVs are assessing the Jordanian market.

## 9.0 Social Impact of Microfinance

Only one national impact assessment study of microfinance in Jordan has been conducted to date, which is the National Impact and Market Study of Microfinance in Jordan by PlaNet Finance at the request of MOPIC and funded by AFD. Field research confirmed the findings, with the exception of limited-scope efforts exerted by MFIs assessing their own target market, though not the microfinance sector as a whole.

### 9.1 National Impact and Market Study of Microfinance in Jordan

Between November 2006 and September 2007, PlaNet Finance conducted a National Impact and Market Study of Microfinance in Jordan. The Study was conducted using PlaNet's Impact-Knowledge-Market (IKM) Methodology. The survey covered 1,314 clients in addition to six focus group discussions. The sample included: new clients (more than 6 months in the program), medium clients (have been in the program for a period between 6 and 36 months), old clients (more than 36 months in the program), and dropout clients. In addition, three focus group discussions were conducted with the clients. Seven MFIs participated in the study, namely AMC, DEF, Tamweelcom, MFW, MEMCC, NMB and UNRWA.

The following table summarizes the areas of impact assessed and the key findings<sup>13</sup> (PlaNet Finance, 2007):

Table 5: Areas of Impact

Area of Impact	Key Findings
Business Growth and Development	<ul style="list-style-type: none"> <li>■ Old clients earn 15.4% more in monthly profits than new clients</li> <li>■ Old clients invest in their business twice as much as new clients</li> <li>■ Old clients have an increased level of employment than new clients</li> </ul>
Contribution to Household Budget	<ul style="list-style-type: none"> <li>■ Old clients contribute to household budget 20% more than new clients</li> </ul>
Household Well-Being and Poverty Levels	<ul style="list-style-type: none"> <li>■ 86.7% of clients declared a positive impact on their “sense of autonomy”</li> <li>■ 70% of clients declared positive change in quality or quantity of food</li> <li>■ 57.6% of clients perceived a positive change in the education of children</li> <li>■ 47.6% of clients indicated a positive change in their health</li> <li>■ 98% of clients indicated that their microenterprises increased their overall “self-esteem”</li> </ul>
Savings	<ul style="list-style-type: none"> <li>■ 46% of clients save every month and 23% use formal savings account</li> </ul>

<sup>13</sup> The Study also included an assessment of the demand for financial services as well as an assessment of the clients' satisfaction with their respective MFIs and programs.

The study concluded with the general finding that by helping clients to graduate from owning small income generating activities to small enterprises and by helping them build stronger enterprises, clients will be able to move out of poverty and thus microfinance will fulfill its role in contributing to the economic development in Jordan.

## 9.2 Other Initiatives / Trends Related To Spm

Recently, Sanabel has introduced the Social Performance Management (SPM) concept in the Arab region. Three Jordanian MFIs participated in the first training on SPM held in Egypt in June 2008, namely DEE, MFW and Tamweelcom. The three MFIs have developed their initial action plan to integrate SPM in their systems. However, there has not been any recent documentation of the integration of SPM. Furthermore, some of them might undertake the first Social Audit in the Arab region.



## Appendix I: Sources

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## Appendix II: Sanabel Members in Jordan

1	Ahli Microfinancing Company
2	Jordan Micro Credit Company (Tameelcom)
3	Microfund for Women
4	Middle East Micro Credit Company
5	Niveen Abboushi Sharaf (Individual Founding Member)
6	National Microfinance Bank (Watani)
7	Development & Employment Fund ( Reyada)
8	FINCA Jordan







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