



Dubai 2006 microfinance conference

November 5-6th 2006

The role of Development and Employment Fund (DEF) In supporting microfinance sector in Jordan

**Session 4 : How governments, and International and public
Agencies can support the development of the microfinance
sector in their countries**

History

DEF is an autonomous self financed entity (financially and administratively), initiated its credit undertaking in 1991 to develop and provide direct and indirect financing for small and micro enterprises.

Article No. 4

To enable poor, low-income or unemployed individuals, families or groups to exercise productive work in order to contribute in combating poverty and unemployment

Lending, (Article no. (5-a)

“Providing the necessary concessional funding, either directly or indirectly, to the beneficiaries, individuals and groups”

Indirect

Intermediary Agencies MFIs

Direct

DEF's lending schemes

Entrepreneur
Projects\ MOPIC

Direct

Indirect

Developing Projects

To sustain exiting
projects and jobs

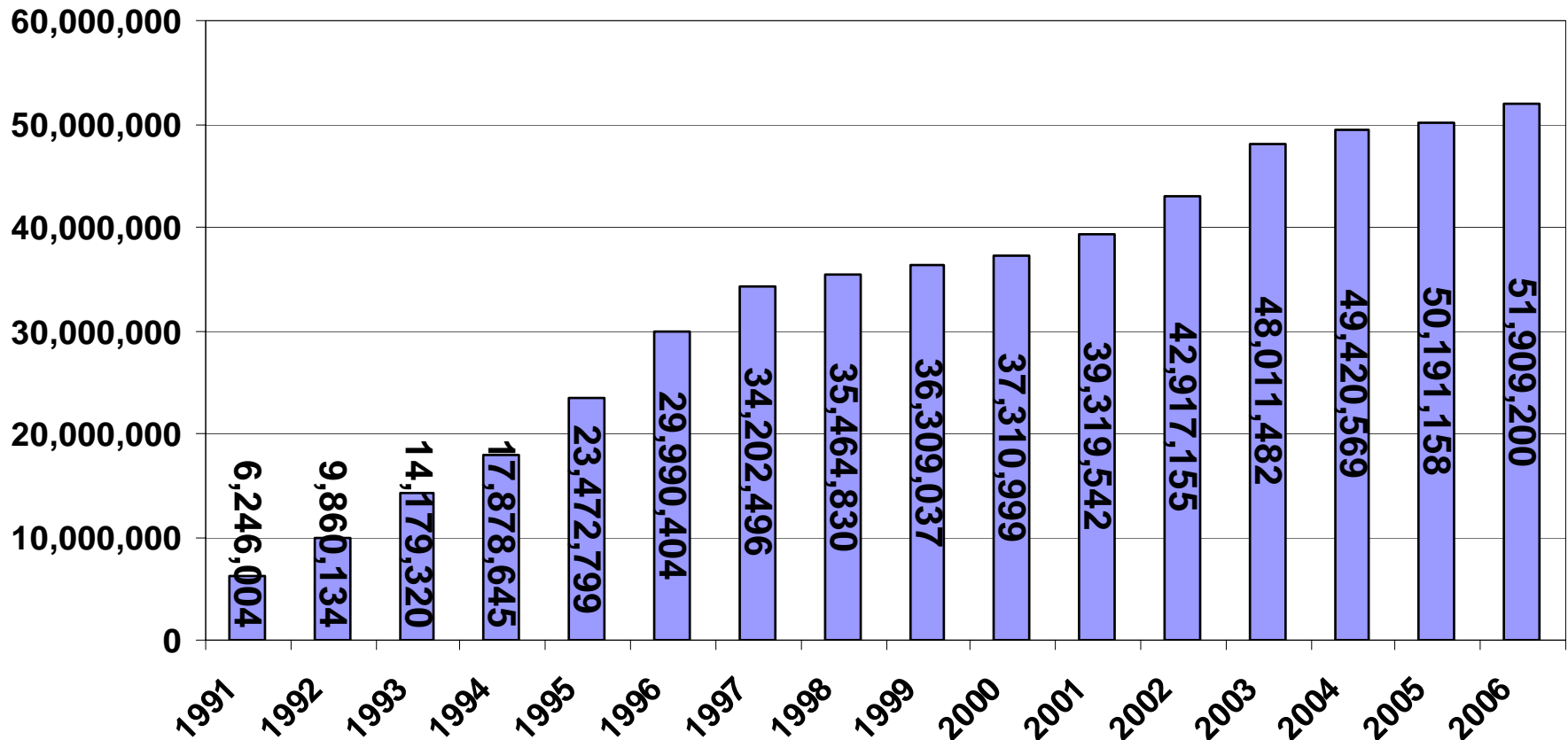
Startup Projects

To create new jobs

Household Projects

To enhance
housewives & the
disabled income

DEF Assets Development (in million US\$)



1991 : US\$ 6,246,004

1997 : US\$ 34,202,496

2006 : US\$ 51,909,200

Lending Activities (1991-2006)

Amounted to US\$ 114 million to finance more than 31000 projects, created 37500 seasonal and permanent jobs. Indirect lending reached around US\$ 19 million or 17% distributed to the following organizations:

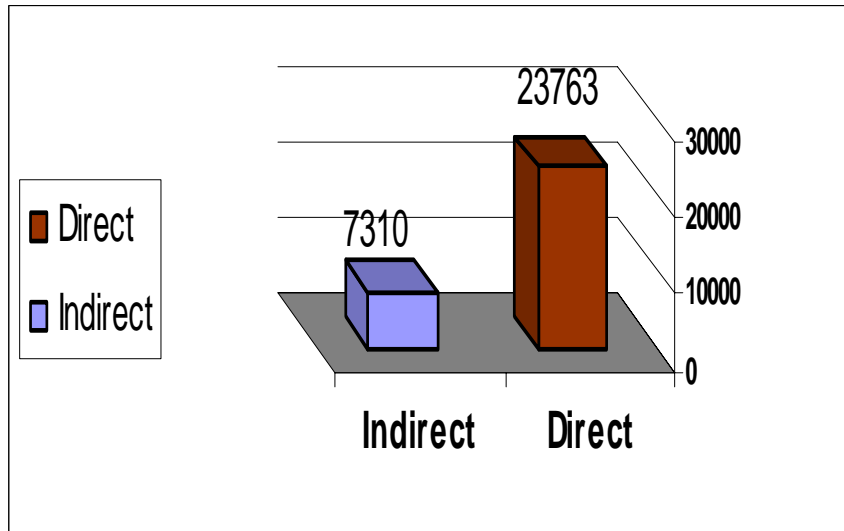
Indirect Lending Operation (1991-2006) / US\$

Item	Loans	Grants
Agriculture Credit Corporation	4,854,930	----
Industrial Development Bank	352,113	----
Jordan Micro Credit Company	2,345,577	25,352
Middle East Microfinance Company	1,595,024	----
Jordanian Hashemite Fund For Human Development	3,425,490	25,352
General Union of Voluntary Societies (GUV)	1,678,169	140,269
Noor Al-Hussein Foundation	169,014	21,127
Public Housing Corporation	281,690	25,352
Microfund For Women	633,803	----
Voluntary Societies	1,316,370	440,113
The National Bank for Microfinance	2,112,676	----
Total	18,764,856	652,213

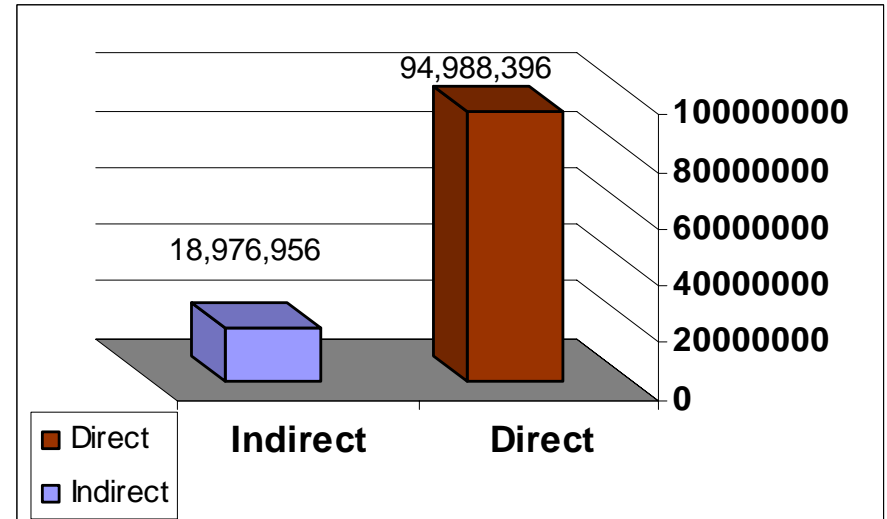
MFI's US\$ 6,687,000

Lending Operations (1991-2006)

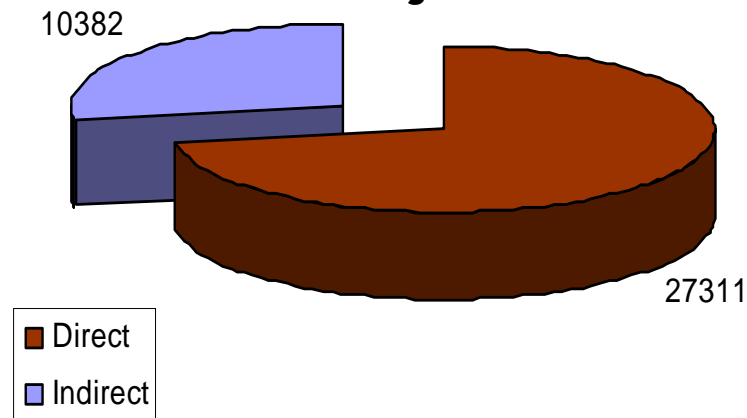
No. of Projects



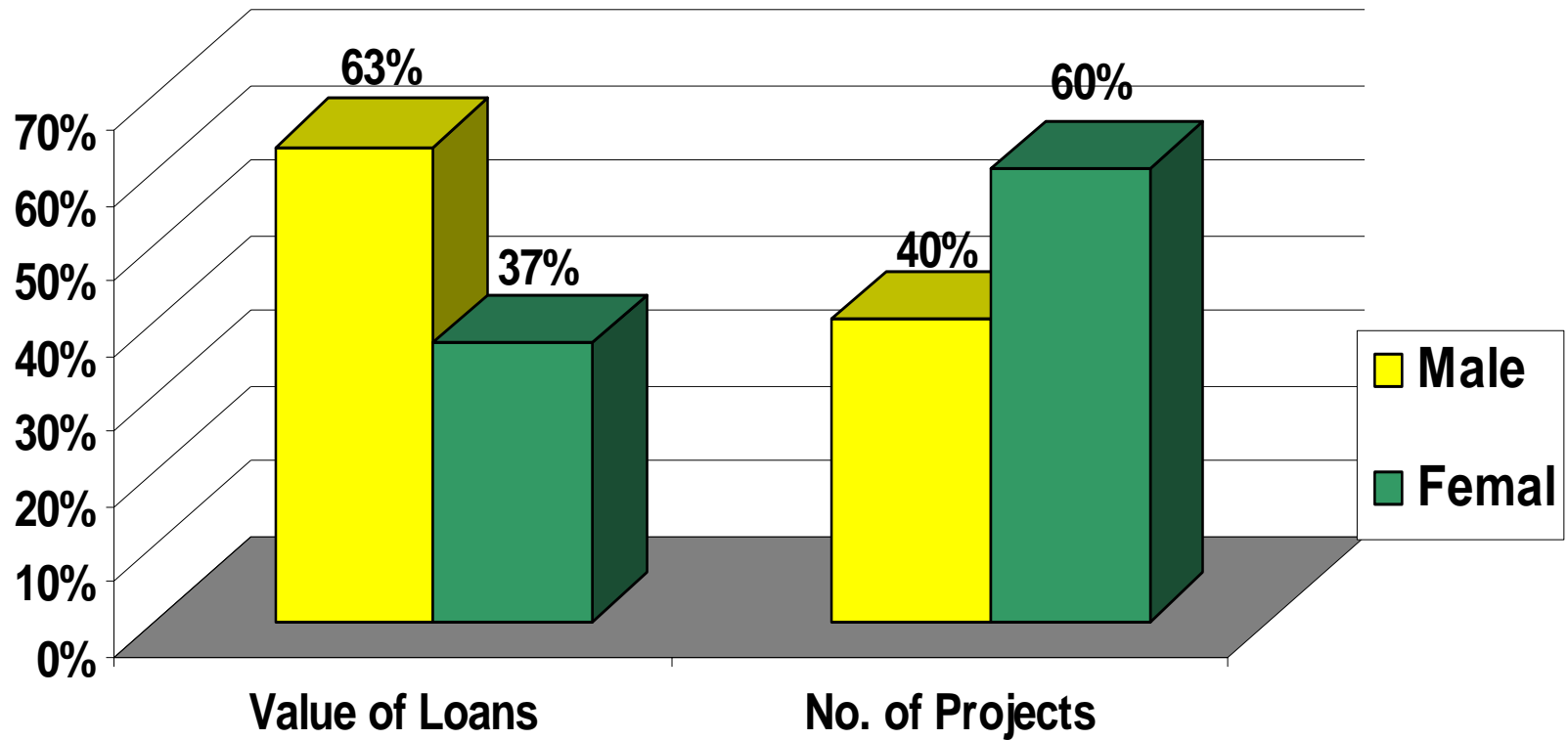
Value of Loans



No. of jobs



Lending Operations According to Gender (1991-2006)



Outreach

In the last three years, DEF has expanded its outreach reoriented focus on women and youth, embarking on field surveys to highlight the need for training and projects (Need Assessment), microfinance awareness programs, and start providing its services through:-

1. **Microfinance Mobile Units (MMU)**
2. **Civil Service Bureau (CSB)**
3. **National Aid Fund (NAF)**
4. **Knowledge Stations**
5. **Branches in the North and South**
6. **Intermediary Agencies (MFIs)**

Impact Studies

DEF implemented various field survey of all the funded projects to evaluate the socio-economic impact of the loans on its beneficiaries.

According to the latest survey conducted by the RSS morethan (82%) of the projects financed directly from DEF during 1991-2004 still operating (for more details : www.def.gov.jo)

•

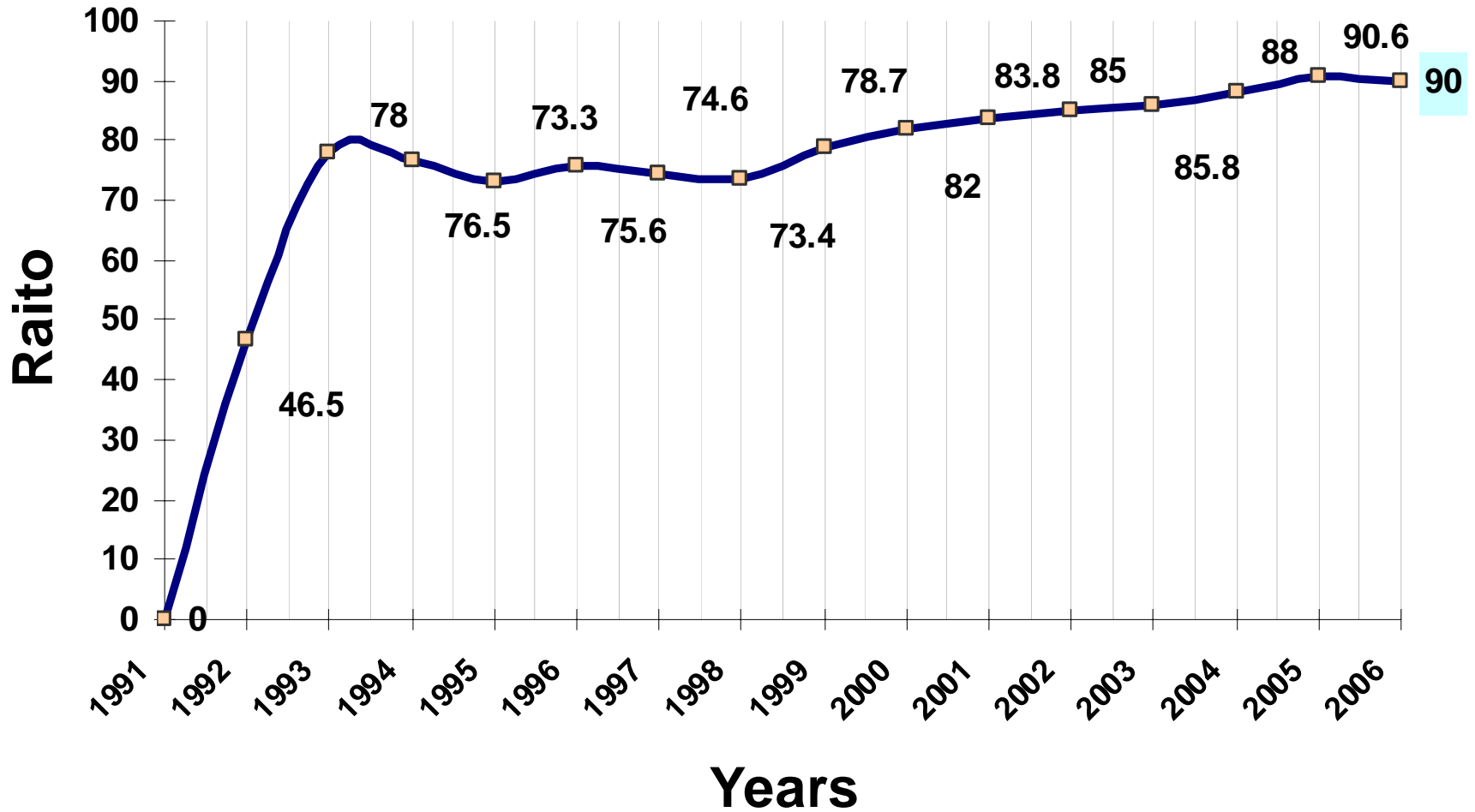
ADIE : 86% of enterprises survive more than 1 year (76% national average)

Repayments Collections

Since 1997, DEF did not receive allocation from the GOJ or donors, and the expansion of lending activities came from its operational revenue (204% operational self sufficiency in 2005 (www.mixmarket.org)) and embarked an comprehensive follow up mechanism to keep a rate of cash-in exceeding the cash-out. DEF emphasized the fact that “we give a hand-up not a hand-out” which means our money is loan not a grant.

DEF stick to both profitability and social responsibility, and its resources are considered as public resources, and are recovered according to the public collection Law of recovering funds.

Collections Ratio



King Abdullah II Award for Free Work & Entrepreneurship

A Royal Decree was issued in 2004, to initiate an annual award carrying H.M. King Abdullah II name to be awarded to the best three small projects funded by DEF, **directly or indirectly.**

This award aim to foster the culture of microfinance as one of the most ideal way to combat poverty and unemployment.

The New Role of DEF

GOJ has tried to help the microfinance sector wherever it is possible through financing and training. Being fully aware of the importance of microfinance in the socio-economic development, many attempts and initiatives have been taken to support the microfinance sector, and the National Microfinance Strategy, and recent evaluations of the major public microfinance institutions aimed to set the guidelines to productive public-private cooperation in order to support the microfinance sector.

Despite the fact that DEF is financially self sufficient , no financial support since 1997 , and work on commercial basis (social responsibility no market distortion or subsidization), but we believe with relatively well developed microfinance private sector, the role of DEF as retailer should be decline and the partial role of wholesaler should be maximized.

“DEF has done a great job in developing a Microfinance market in Jordan. It has been a direct provider of services, wholesaler of funds as well as facilitator of Business Development Services (BDS) in its brief organizational life. The Microfinance market was scant and virtually non-existent 15 years ago. Today there are many players from the private and voluntary sector in the market”. 1

“DEF a major industry player accounting for more than two-third of the Jordanian market 2”. Today, more than US\$ 114 million has been giving as loans, of which more than US\$ 48.4 million in outstanding loans.

1 The ILO report

2 The IFC report “Supporting the microfinance sector

In 2005, Government of Jordan released a National Strategy for microfinance, which laid out the policy framework, and the roles of both public and private sectors. The strategy called for a greater role for the MFIs and the withdrawal of DEF and other government credit line agencies from retail lending and DEF to assume the role of a wholesaler to MFIs.

Early in 2006, the ILO and IFC independently issued two reports:

- ILO restructuring report: recommended that DEF withdraw from microfinance and concentrate on financing SME.**
- IFC restructuring report: recommended that DEF to become a wholesaler (*Apex Organization*) and withdraw from retail lending**

Also, in 2006 the GOJ, issued the “*Government Program for Combating Poverty and Unemployment 2006/2007*” in which approved the restructuring of DEF and merged the two recommendations and came up with the following:-

- 1. DEF withdrawal from retail lending to microfinance and become an Apex Organization “wholesaler”.**
- 2. DEF concentrate its direct lending and activities towards SMEs.**

This week, a team from the IFC will assist the GOJ in the recommendation for the restructuring of DEF.

DEF start assuming the new role of wholesaler to MFIs and stop direct microfinance lending. There is a supply-demand gap for fund, and DEF partially fulfilled the gap by financing MFIs. Accumulated finance to MFIs increased in 2006 to exceed US\$ 6,7 million of which 38% within 2006, and expected to do so in the coming years. As for 2007 the table below highlight the increasingly demand for fund from DEF:

Item	Loans \ US\$
Jordan Micro Credit Company	704,225
General Union of Jordanian Women	352,113
Public Housing Corporation	211,268
Microfund For Women	1,408,451
National Micro Credit Company	1,408,451
The National Bank for Microfinance	2,112,676
Total	6,197,183

In the coming years as stated earlier, more funds will be allocated to MFIs as shown below.

**DEF Lending Scheme to MFIs
2007-2010**

Year	Direct	Indirect	Total
2006	82%	18%	100
2007	75%	25%	100
2008	60%	40%	100
2009	50%	50%	100
2010	40%	60%	100

DEF strategies for Supporting Microfinance & Small Enterprises

DEF have focused on:-

- 1st. Increase the support exiting MFIs and financial institutions dealing with microfinance and SME enterprises.**
- 2nd. Establishing a new credit schemes in NGOs and building their institutions capacity to service this sector.**

Three programs were initiated in:-

- ❖ Jordan Hashemite Fund for Human Development in 1994.**
- ❖ General Union of Voluntary Societies in 1998.**
- ❖ Noor Al Hussein Foundation supported program in 1996.**

In addition to establishing a new program at the Agricultural Credit Corporation focusing an unemployed peasants.

- 3rd. Assisting the beneficiaries of microfinance in promoting and marketing their services and products.**
- 4th. Networking with national organizations to improve the outreach , integration, and BDS to customers.**