



USAID
FROM THE AMERICAN PEOPLE

Building Economic Sustainability through Tourism Project

**SOURCES OF
FINANCING
FOR JORDAN'S
TOURISM SECTOR
2017**



"It is through tourism that we can let the world see the greatness of Jordan and its people, and the numerous opportunities and unique treasures that it holds."

His Majesty King Abdullah II Bin Al-Hussein

About Jordan's Tourism Sector

Tourism is a key contributor to Jordan's GDP, with tourism receipts accounting for around 13% of the national income. Hotels and restaurants are the highest tourism sub-sector contributors to the national GDP.

In 2016 tourism generated around 50,000 direct jobs and close to 44,000 indirect jobs in Jordan. Tourist arrivals reached 4.8 million visitors, 3.8 million of whom were overnight visitors. The industry generated \$4 billion in revenues.

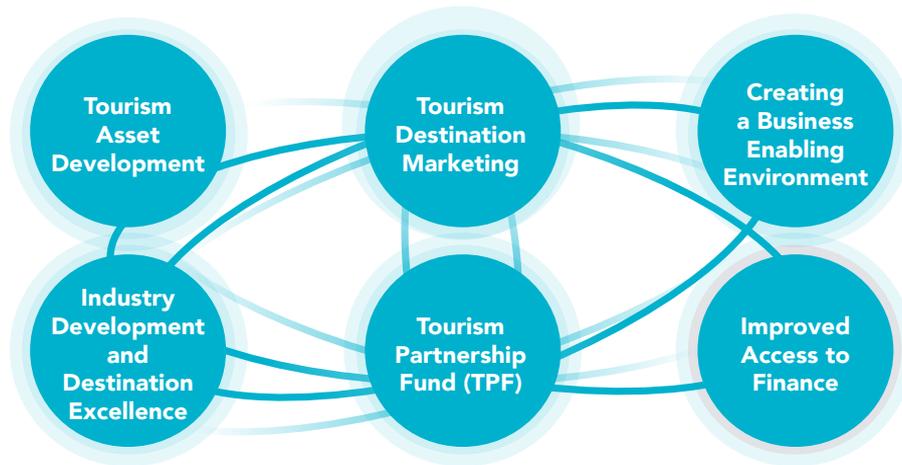
According to a study conducted in early 2016 by the USAID Building Economic Sustainability through Tourism Project (BEST), 83% of tourism investors are interested in financing, yet only 24% of them applied for a loan to finance their businesses in the last three years.

To grow tourism, it is important to increase the opportunities for small and medium enterprises (SMEs) to access finance in order to offer new and enhanced tourism products to attract more visitors. This boosts economic development in Jordan's governorates and helps increase the country's tourism competitive advantage. Greater access to finance will also help tourism SMEs maintain their operations, develop their assets and hire and train employees.

The USAID Building Economic Sustainability through Tourism Project (BEST)

The Building Economic Sustainability through Tourism Project (BEST) is a five-year USAID-funded project that seeks to help transform Jordan into a unique, globally competitive tourism destination, create new jobs, boost female employment in tourism, and encourage youth participation in this vital and dynamic sector.

USAID BEST works closely with tourism-related government, non-government and private institutions to achieve the following goals:



Goals of USAID BEST

Creating a Business Enabling Environment

Support government and private sector initiatives designed to put in place immediate and longer-term policy reforms to promote tourism investment and improve the tourism experiences and sites in Jordan.

Destination Marketing

Stronger marketing can increase arrivals and achieve growth. Support will be provided to the Jordan Tourism Board and partners to develop strategic communication and marketing campaigns and utilize various sales channels in international markets to attract more visitors and target new, niche and lucrative markets.

Improved Access to Finance

BEST will work to increase access to finance for tourism enterprises and entrepreneurs and strengthen their ability to access capital for tourism ventures. This includes improving lenders' willingness to provide tourism loans and helping businesses to prepare effective loan applications.

Industry Development and Destination Excellence

Develop tourism sites and experiences and boost professionalism and hospitality within the sector. Enhance the quality and appeal of tourism and hospitality establishments and upgrade college and university-level tourism education and training in Jordan.

Tourism Partnership Fund (TPF)

The TPF will provide grants and fund technical assistance to counterparts and beneficiaries for product and market development, tourism industry competitiveness, public-private partnerships and job creation. Activities across all regions will be covered to promote community development and outreach.

Tourism Asset Development

Develop Jordan's cultural and natural attractions, which are the core of its tourism appeal. Improve services at sites and surrounding areas, and at museums. Diversify the tourism product, working closely with public entities and local communities to enhance existing tourism products and create new ones, including trails and local activities.

General Framework and Goals of this Guide

- 1. General Framework**
- 2. Goals**
- 3. Target Group**

1- General Framework

This chart illustrates the main sections of this guide and their contents:



This document was prepared using information collected from reliable sources, including institutions and individuals that were interviewed and consulted. However, the data included herein is subject to change and thus, not guaranteed in terms of accuracy and comprehensiveness. This guide should not be interpreted, either implicitly or explicitly, as investment advice. The terms and definitions used in this guide are for guidance only.

2- Goals

- Present the financial resources available to the tourism sector.
- Help tourism business owners and potential tourism investors to understand the needs and requirements of banking and non-banking financing institutions.
- Explain the requirements of the various financial institutions, including the documents needed to obtain financing.

3- Target group

This guide serves all tourism investors, business owners or potential investors in the tourism sector whose businesses are considered as small or medium sized enterprises (SMEs) in accordance with the definition and criteria set by the financing institutions or Jordanian institutions.*

* For more details, please refer to the **"How to Qualify for Financing"** section.

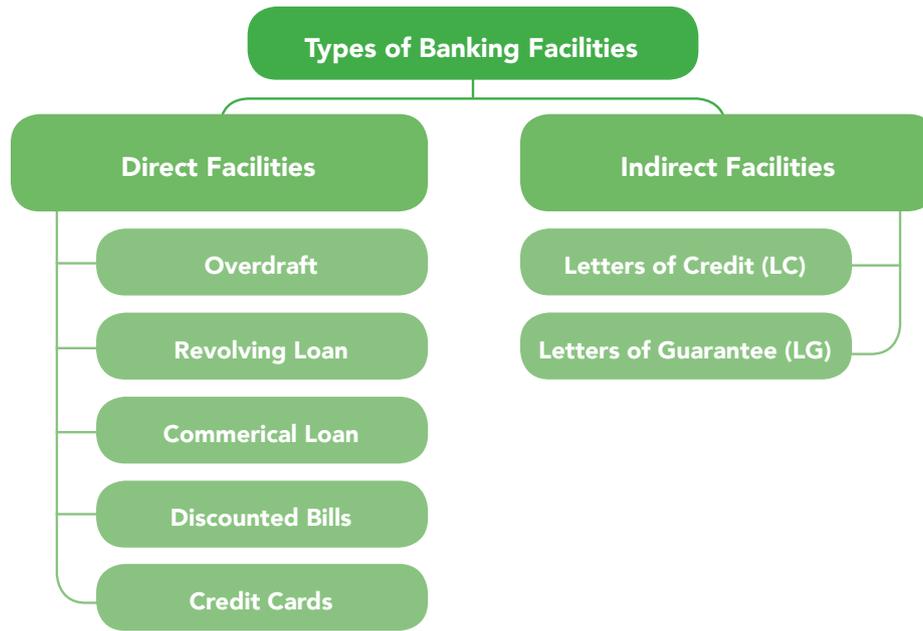
Sources of Financing

1. Definition and types of banking facilities
2. Financing programs and products offered by Jordanian banks
3. Financing programs offered by the Central Bank of Jordan and international entities
4. Non-bank institutions

1- Definition and Types of Banking Facilities

Banking Facilities

A process whereby a borrower (an individual or an entity) is given an amount of money to cover their financial needs under circumstances where the lender is confident of the borrower's ability and willingness to repay the amount in due time, and as per the pre-set terms and conditions.



A- Direct Facilities

An arrangement between the bank and the lender to borrow a certain amount of money. Direct facilities include overdrafts, commercial loans, discounted bills, financing purchases, financing deferred payment letters of credit and payment guarantees, credit cards, and any other facilities of a similar nature.

1- Overdraft

Definition

A credit facility that allows small or medium enterprises to withdraw money in excess of the balance from time to time for the purpose of covering deficits in the working capital*. An overdraft limit is set by the bank based on the client's needs.

Features

- Withdraw and deposit freely for the specified purposes
- Receive a checkbook for withdrawal
- Interest rate calculated on the outdrawn amount and charged at the end of each month

* Working capital is the sum of an entity's current assets minus its current liabilities. It is a common measure of the entity's ability to finance its day-to-day operations and meet its short-term obligations.

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2- Revolving Loan

Definition

A product that can be customized to the company or institution's portfolio, allowing repayment and withdrawal of money. It offers the flexibility to meet working capital needs throughout the operating cycle and is renewable on a yearly basis.

Features

- Limit and maturity dates can be set in accordance with the operating cycle
- Ability to repay and withdraw money with the flexibility of financing the company's cash outflow in a short period of time
- The company can choose the best loan amount and term without the need to pay long-term interest rates
- Can be used to finance a wide range of working capital needs

3- Commercial Loan

Definition

A one-off loan offered by a bank to a company for a specific purpose and a pre-set period of time. This loan is repaid in monthly, quarterly, semiannual or annual installments as agreed between the bank and the client while taking into consideration the client's cash flow.

Features

- Loan amount fulfills the company's needs and size of business
- Easy installments that are set based on company cash flows
- Interest is calculated on the declining balance

4- Discounted Bills

Definition

A product that aims to finance working capital needs and operating cycles, or to be used for specific purposes resulting from real business operations, such as financing letters of credit, purchase of goods, inventory, and/or receivables (trade receivables).

Features

- Can be used to repay Letters of Credit or Bills for Collection during the period of sale of financed goods and collection of their value; the period of discount should not exceed six months.
- Bills are distributed among a number of reputable corporate debtors
- Short-term maturity dates
- Maturity dates for collection of different bills are periodic to spread out payments
- If debtor fails to repay the bill on its maturity date, the bank has the right of recourse against the debtor or guarantor.

5- Credit Cards

Definition

A cash withdrawal tool issued by a commercial bank or financial institution that allows the cardholder to purchase goods and borrow money on a credit limit approved by the card-issuer. A credit card involves a loan, which is a type of credit as money is lent in the present to be repaid in the future.

Features

- Issuer sets a credit limit for the cardholder
- Cardholder can use the card to make payments or withdraw cash
- Payments are not instantly discounted from the account; the cardholder repays the outstanding balance once a month on a set date
- Cardholder can repay all or part of the outstanding balance along with the interest calculated on a predetermined rate

B- Indirect Facilities

Banking facilities that do not entail direct provision of funds, but rather the bank guarantees that it will meet the debtor's future obligations under specified conditions. These guarantees include letters of credit, letters of guarantee, except for payment guarantees, and others.

1- Letters of Credit (LC)

An agreement between the bank and the importers to pay the exporters for the imported goods on their behalf, either through sight LCs or deferred LCs.

2- Letters of Guarantee (LG)

Based on the client's request, the bank provides letters of guarantee, such as bid bond guarantees, performance bond guarantees, customs guarantees, etc., to certain beneficiaries to pay a specific amount of money if the client fails to meet the obligation set out in the guarantee within the specified term, i.e. maximum by the guarantee's expiration date.

2- Financing Programs and Products

Housing Bank (Tourism Loan)

Purpose of financing	Loan term	Interest/ commission	Loan amount	Beneficiaries	Guarantees
<ul style="list-style-type: none">• Purchase of fixed assets• Opening of new branches• Working capital financing (purchases and sales)• Construction, upgrades and expansion	Up to seven-year loan term inclusive of grace period, which is up to a maximum of 12 months depending on the nature of the business	7.5% without commission	Starting from JD5000	Small and medium sized enterprises working in the tourism industry, including main and sub sectors, entrepreneurs and individuals.	Bank may request any guarantees based on its assessment of the creditworthiness of the applicant, in addition to the guarantee of the JLGF if the applicant meets the terms and conditions.

Islamic International Arab Bank (Tourism Product)

Purpose of financing	Financing ratio	Loan term	Profit percentage	Financing amount	Beneficiaries	Guarantees
<ul style="list-style-type: none"> Purchase of fixed assets Working capital financing 	Up to 100% of financing needs	<p>Up to 60 month loan term</p> <p>Up to a maximum of 12 months</p>	Preferable prices	Up to JD550,000	SMEs as defined under CBJ regulations working in the tourism industry, registered and licensed in Jordan.	No focus on collaterals, the loan will be covered under the guarantee of JLGC if the applicant meets the terms and conditions. Easy approval process

*IIAB terms and conditions apply and activity should comply with Sharia Law.

Capital Bank

Financing programs	Financing ratio	Interest rate	Loan term	Terms of payment	Other features
1. Financing of working capital for purchases and sales	Up to 90% of purchase invoice value	Preferential rates	Easy installment plan as one payment or several payments for up to 12 months	Maximum of 12-month period	<ul style="list-style-type: none"> • Opening a FlexiPlus account • Life insurance • Complimentary Visa Signature credit card for the first year • Initial approval within 72 hours
2. Financing purchases against postdated checks	Up to 80% of checks in deposit		Flexible installment plan consistent with check maturity dates		
3. Financing the purchase of fixed assets	Up to 80% of the fixed asset value		Monthly or quarterly installments as well as a grace period	Up to 7-year period	

* The above programs are subject to Capital Bank's terms and approval.

* In cooperation with Jordan Loan Guarantee Corporation (JLGC), start-ups may also apply for these programs contingent upon the approval of Capital Bank and the JLGC

Jordan Ahli Bank

Financing program	Purpose	Loan amount & financing ratio	Grace period & loan term	Other features
1. Tourism loan in cooperation with the Central Bank of Jordan	For construction, expansion or renovation of hotels, resorts and public touristic attractions in Jordan.	Up to 90% financing of the overall investment cost, and up to a maximum of JD2 million.	Up to 1 year grace period. Up to 5 years loan term (inclusive of grace period).	-
2. "Al-Nashmiat" Loan for financing purchases	Financing the credit purchases of SMEs owned partially or completely and/or managed by a woman who needs to buy raw materials, stock materials or commodities needed for production or for providing services to customers.	A revolving loan with a fixed credit limit of JD5,000 – 100,000 as well as financing up to 90% of the value of purchase invoices that are payable in the future.	Loan limit is renewable on an annual basis.	Initial approval within 24 hours
3. "My Project" Loan	Enabling SMEs that have been operating for more than one year to facilitate and expand their business, increase effectiveness and efficiency and help them manage their work through financing their working capital needs	Up to JD50,000	Up to 12 months grace period. Up to 4 years loan term (inclusive of grace period).	-
4. "Finance Your Needs" Loan	For covering the financing gap that may occur when SMEs lack funds as a result of having to make payments before collecting their own money	A revolving loan with a maximum fixed credit limit of JD250,000 as well as financing up to 80% of purchase invoices that are payable in the future.	Loan limit is renewable on an annual basis.	Initial approval within 24 hours, (no collateral required)
5. "My Business" Credit Card	For covering SME expenditure to control their withdrawals and expenses	Executive Card (JD355 – JD3,000) Titanium Card (JD3,001 – JD7,000) Platinum Card (JD7,001 – JD50,000)	-	5% minimum monthly payment of outstanding balance, (minimum JD10) and grace period of 47 days Instant discounts through Ahli SME Rewards Program. Earning points when using the card and redeeming them for either cash or vouchers

* The above programs are subject to Jordan Ahli Bank approval.

Bank al Etihad

Grace period	Loan term	Financing ratio	Loan amount	Financing program
1. Equipment financing loans	Up to JD100,000	80% of the machinery or equipment value and based on price quotations	Up to 60 months	Up to 6 months
2. Commercial real estate financing	Up to JD1,000,000	90% of the real estate value	Up to 10 years	Possibility of one-year grace period as part of the loan term
3. Inventory financing	Up to JD100,000	80% of the value of the goods	Up to 36 months and in consistent with the nature of business	-
4. Bonded storage financing	Up to JD250,000	80% of the value of goods	Up to 24 months and in consistent with the nature of business	-
5. Business vehicle loan	Up to JD50,000 financing for each car reaching a max total of JD250,000	90% of the vehicle value	Up to 84 months	-
6. Renewable energy systems financing	Up to JD4,000,000 financing	-	Up to 10 years (inclusive of the grace period)	-

* Bank al Etihad included the facilities offered for the tourism sector as part of a specialized program that is developed in partnership with CBJ to significantly decrease the interest rate that applies to such facilities and to set the loan terms for up to five years.

* Bank al Etihad also presented "Shurooq" as a comprehensive set of banking solutions and financial and non-financial services specially designed for women. It also allows them to finance their start-up projects.

3- Financing Programs through the Central Bank of Jordan (CBJ) and International Entities

1. Medium-term advances through the Central Bank of Jordan (CBJ)

The CBJ offers financing to the industrial, tourism, renewable energy, agriculture and IT sectors by relending through licensed Jordanian banks for periods that fulfill their financing needs:

- Up to 5-year loan term for the industrial, tourism, agriculture and IT sectors
- Up to 10-year loan term for the renewable energy sector

In the first half of 2016, about 312 projects benefited from this program, borrowing a total of JD222 million. Industrial sector beneficiaries received JD120m, tourism received JD24m, renewable energy JD61m and the agricultural sector JD17m.

Loan amount offered to the tourism sector

A maximum of JD2 million with the possibility of increasing the ceiling upon CBJ approval

Purpose

Construction, expansion or renovation of hotels, resorts, public touristic attractions in Jordan

Financing ratio

85% - 90% (of the investment cost and upon CBJ's approval)

Interest rate

Between 3.25% - 4.25%

Grace period

A maximum of one year

Loan term

A maximum of five years inclusive of the grace period

Guarantees

To be determined by the concerned bank

2. Arab Fund for Economic and Social Development Loans

CBJ received a \$50 million loan from the Arab Fund for Economic and Social Development. The loan was transferred in two batches of \$25 million each. The funds were distributed among the beneficiary banks at the end of 2014 and 2015 for them to re-lend the money and finance micro, small and medium-sized enterprises (MSMEs).

The results of re-lending the first batch were:

- About 90% of the loan was utilized to finance SMEs until the end of 2015
- More than 2230 enterprises benefited from this loan
- Financing these enterprises created more than 350 job opportunities

CBJ has signed two new agreements with the Arab Fund for the same purpose and is to receive two loans in the amounts of \$100 million and \$50 million respectively within the year.

Target Group

MSMEs and microfinancing companies, particularly women and youth owners, and governorates outside Amman

Beneficiary Banks

- Arab Bank
- Jordan Ahli Bank
- Cairo Amman Bank
- Jordan Commercial Bank
- Jordan Kuwait Bank
- Arab Banking Corporation (ABC) Bank
- Housing Bank for Trade & Finance (ISKAN)
- Capital Bank
- Islamic International Arab Bank
- Bank al Etihad
- Societe Generale Bank
- BLOM Bank

Finance Terms & Criteria

The fund shall be utilized exclusively to finance startups or existing MSMEs, provided that their activities are not prohibited by law or international conventions, and that they do not have any negative social or economic impacts on society or the environment

3. World Bank Loans

CBJ had access to a \$70-million loan, which was distributed among 12 banks, two of which are Islamic. Agreements were signed with these banks to re-lend to SMEs at competitive interest rates for the medium and long terms.

Results of the first loan are:

- The full \$70 million was utilized
- More than 9,000 MSMEs benefited from the loan, 67% of which are projects operating outside Amman
- Financed enterprises owned by women and youth represented 87% and 54% respectively
- The financing helped create more than 2,200 job opportunities

In light of the success of the first loan, a similar agreement was signed whereby the CBJ will receive an additional \$50-million loan from the World Bank. The majority of this loan was transferred to the nine beneficiary banks on 7/2/2016.

Target Groups

MSMEs with a focus on women and youth, and on governorates outside Amman

Banks Benefiting from the \$70 Million Loan

- Arab Bank
- Jordan Ahli Bank
- Cairo Amman Bank
- Jordan Commercial Bank
- Jordan Kuwait Bank
- Jordan Islamic Bank
- Housing Bank for Trade and Finance (ISKAN)
- Capital Bank
- Islamic International Arab Bank
- Bank al Etihad
- Societe Generale Bank
- BLOM Bank

Banks Benefiting from the Additional \$50 Million Loan

- Arab Bank
- Jordan Ahli Bank
- Cairo Amman Bank
- BLOM Bank
- Jordan Kuwait Bank
- Jordan Islamic Bank
- Housing Bank for Trade and Finance (ISKAN)
- Capital Bank
- Islamic International Arab Bank

Financing Terms and Criteria

The fund shall be utilized exclusively to finance startups or existing MSMEs, provided that their activities are not prohibited by law or international conventions, and that they do not have any negative social or economic impacts on society or the environment

4. The European Bank for Reconstruction & Development (EBRD)

CBJ has facilitated other Jordanian banks to benefit from a \$120 million EBRD loan to be used to finance MSMEs in Jordan. EBRD recently signed financing agreements with three banks totaling \$50 million, and another agreement is to be signed with Jordan Ahli Bank soon.

The MSMEs will be financed through loans in Jordanian dinars and competitive interest rates.

Target Groups

Micro, small and medium enterprises (MSMEs)

Beneficiary Banks

- Bank al Etihad (\$10 million)
- Cairo Amman Bank (\$20 million)
- Capital Bank (\$20 million)
- Ahli Bank (\$20 million) - (agreement is still to be signed).

Support Services

- Technical support from EBRD.
- Up to 50% loan guarantee through the Jordan Loan Guarantee Corporation.

4- Non-Banking Financial Institutions

a- Development & Employment Fund

The fund aims to enable individuals, families, poor or low-income communities, or unemployed individuals to work and be productive in order to eradicate poverty and unemployment. The fund therefore offers the following financing programs:

Setting up new enterprises

Qualified professional individuals, who hold university degrees, are financed with loans up to JD20,000 per loan, to be repaid within seven years with a grace period for the first six months, at 6% Islamic Murabaha rate per year, provided that they establish licensed and registered projects in all sectors.

Developing existing enterprises

Financing for existing enterprises to expand or diversify, thus maintaining existing job opportunities and creating new ones. Through this program, the borrower can get a loan of no more than JD15,000 at a yearly 5% Islamic Murabaha rate for six years with up to a three-month grace period.

Lending entrepreneurship projects

This program aims to finance projects that are unique in terms of product or service type, the number of job opportunities they provide and their geographical location. It offers to finance up to JD75,000 with a yearly 5% Islamic Murabaha for projects operating inside the capital and 4% for those outside Amman, with up to a 12-month grace period from the date of signing the agreement. The loan should be repaid over eight years.

Enabling rural women program

To enable women economically and socially and enhance household living standards, this program offers to finance up to JD2,000 with a yearly 5% Islamic Murabaha for six years, and up to a six-month grace period under easy terms.

**Financing
income-
generating
activities**

This program benefits unemployed individuals, university, institute or school graduates, professional workers, small craft workers and merchants, productive rural poor families and economically active disabled people. Financing up to JD2,000 is offered, which is to be repaid over five years with a three-month grace period from the date of signing the agreement. The fund charges a yearly 5% Islamic Murabaha of the offered financed amount.

**Financing
retired Social
Security
workers**

This program aims to enhance the living standards of retired workers subscribed to the national social security by financing productive projects. An agreement was signed with the Social Security Corporation to allocate JD5 million to be managed by the fund as per its terms and mechanisms for financing and developing new enterprises, with a yearly 5% Islamic Murabaha to be repaid over six years and six-month grace period.

**Financing
citizens in
poverty
pocket areas**

The program aims to enable families, poor people and those looking for jobs in poverty pockets by creating productive income-generating projects. It finances startups with an ability to finance rural women enablement projects with no more than JD10,000 for each project and a yearly 4% Islamic Murabaha. The loan should be repaid over a period not exceeding seven years with a six-month grace period.

**Financing
micro
enterprises**

This program aims to finance projects through Islamic Murabaha to establish startups or develop existing enterprises. Up to JD7,000 is offered and must be repaid over six years with a six-month grace period as of the date of signing the agreement. The fund charges a yearly 5% Islamic Murabaha of the offered financed amount.

**Collective self-
employment
program**

The program aims to encourage freelancing, self-employment and entrepreneurship among male and female youth and supports establishing productive income-generating projects. The loan limit is JD5,000 for each partner and does not exceed the collective loan (JD30,000) with a yearly 2% Islamic Murabaha and 12-month grace period. The loan should be repaid over a 10-year period.

b- Leasing Companies

Financial leasing services are offered by 12 companies in Jordan, which are owned by commercial and Islamic banks and other public shareholding companies. The Jordanian Association of the Leasing Companies estimated the total market size at JD1.2 billion, 80% of which goes to the real estate market.

Financial Leasing Definition

Financial Leasing

Financial leasing is a finance system where the lessor (financer) finances the purchase of a capital asset upon the lessee's (investor) request in order to invest the asset for a period of no less than 75% of the asset's life while paying regular installments (for the lease). The lessor however remains the owner of the asset until the end of the contract with the lessee. At the end of the lease period, the lessee shall have the choice to purchase the asset, return it to the lessor or renew the lease contract.

Market Value of the Leased Asset

Also called fair value, this represents the sale value of the leased asset in a free market, and is a rational and unbiased estimate of the potential market price of a good, service or asset. The market value is the same remaining estimated value of the leased asset.

Minimum Lease Payments

These are payments that should be paid to the lessor as a result of the financial leasing contract and for maintaining the asset. If the contract included a bargain purchase option, the asset value guaranteed by the lessee should be added at the end of the contract period.

Maintaining the Asset Costs

The regular costs for maintaining the leased asset, such as maintenance, insurance, taxes and other costs whether paid by the lessor or lessee.

Right of Purchase Choice

One of the lessee's rights under the lease contract, which enables them to buy the asset at the end of the contract at a price lower than the asset's estimated market value.

Financial Leasing Terms

1

Finance should be limited to capital assets with the purpose of investment not consumption, and the asset should be a real investment (including all assets, capital goods and equipment, and not including securities and commercial bills such as cash, bonds, investment and treasury bills.)

2

The leased asset is considered the guarantee for the finance and the source of paying the lease installments. The lease installments are part of the leased asset cost and are paid to benefit from the asset.

3

The lessee has the right to own the leased asset (purchase option) at the end of the lease contract (provided that the lease payments have covered the asset cost in addition to a defined profit margin), the right to share the cost of selling the leased asset at the end of the contract, or the right to renew the contract.

4

The lease contract period should not be less than 75% of the leased asset life.

5

The contract should be irrevocable, and the lease payments should cover the asset market value when entering into the contract in addition to a defined profit margin. The coverage should not be less than 90% of the market value at the time of signing the contract.

6

The ownership of the leased asset remains with lessor until the end of the contract.

Loan Guarantee Programs

1. **Jordan Loan Guarantee Facility Program (JLGF)**
2. **Jordan Loan Guarantee Corporation (JLGC)**

1. Jordan Loan Guarantee Facility (JLGF)

The Jordan Loan Guarantee Facility (JLGF) is a project funded by USAID, in partnership with the Overseas Private Investment Corporation (OPIC).

JLGF provides partial loan guarantees and technical assistance to mobilize bank financing for creditworthy SMEs.

JLGF currently works with seven partner banks: Arab Bank, Cairo Amman Bank, Capital Bank, Bank al Etihad, Housing Bank, Jordan Ahli Bank, and Jordan Kuwait Bank.

Benefits & Terms

Eligible companies

- 50% or more owned by the private sector
- Licensed to conduct work in Jordan
- Meet at least two of the following:
 - A maximum of 300 employees
 - Assets total a maximum of \$15 million
 - Annual turnover does not exceed \$15 million

Loan purposes

- Finance the purchase of equipment and machinery
- Finance construction work
- Finance purchase of inventory
- Finance receivables – discounted commercial bills

Guarantee mechanism

- 75% of the original granted amount will be guaranteed for projects located inside or outside Amman.

Guaranteed loans conditions

- Currency: Jordanian Dinars
- Loan value should not be less than \$25,000 (JD18,000).
- Loan term should not be less than 90 days and not more than seven years.
- Loan is repaid on a declining basis or as a revolving loan.

Technical support

The project conducts workshops for SME owners and representatives from partner banks about the required steps to access loan guarantees to enable SMEs and banks to benefit from the project. Illustrative examples are also used to enable enterprise owners to use best practices to improve their financial decision-making and prepare financial projections required by banks and JLGF project as part of the loan application process.

2. Jordan Loan Guarantee Corporation (JLGC)

The Jordan Loan Guarantee Corporation (JLGC) was established under the Jordanian Companies Law as a limited public shareholding company with a paid-up capital of JD7 million. In 2016 the capital was increased to JD30 million to increase the existing guarantee ceiling limits and create new loan guarantee tools to facilitate the financing of SMEs, and export credit guarantees to continue encouraging local Jordanian exporters.

Jordan Loan Guarantee Corporation provides risk guarantee programs to improve the credit environment available to the economically viable ventures, national exports and SMEs community by signing agreements with most of the Jordanian banks.

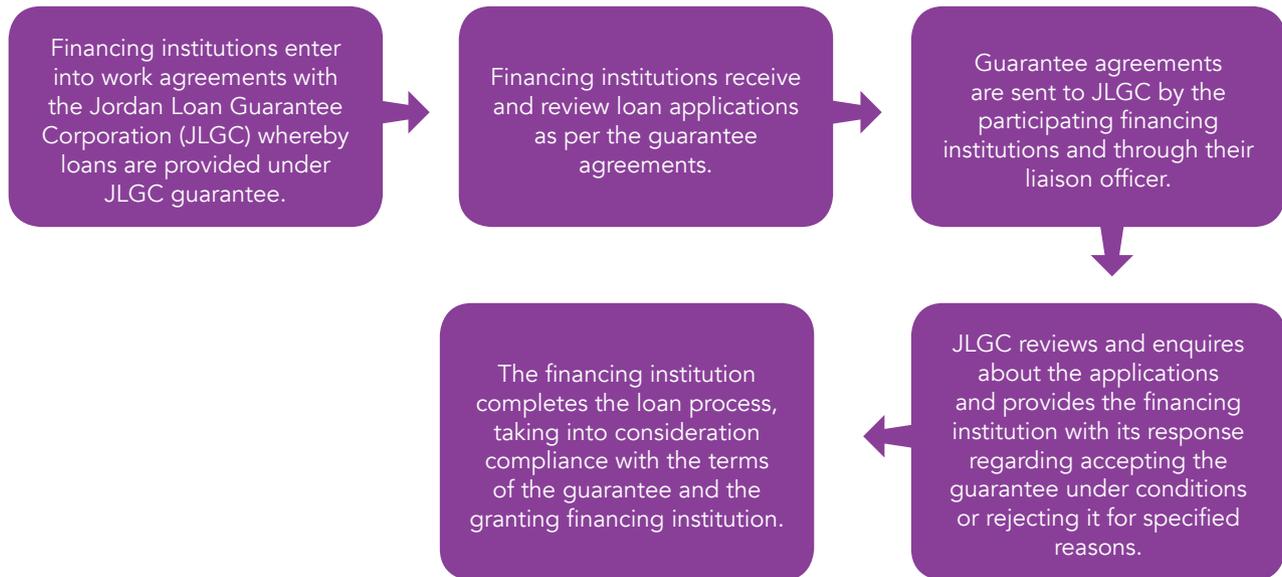
a- JLGC Programs

Productive Loans Guarantee Programs	Max. Loan Amount (JD)	Max. Loan Term (Month)	Guarantee Percentage (%)
SMEs Loan Guarantees	100,000	72	70%
Micro Business Loan Guarantees	15,000	36	70%
Industrial Loan Guarantees (EJADA)	550,000	96	70%
Financial Leasing Guarantees (EJADA)	550,000	96	70%
"Kafala" Program –Islamic Financing	550,000	96	70%
Entrepreneurship Financing Program	75,000	96	80%
Startups Guarantee Program	100,000	60	85%
Renewable Energy Guarantee Program	500- 250,000	36 - 60	70%

Real Estate & Personal Loan Guarantee Programs	Max. Loan Amount (JD)	Max. Payment Period (Month)	Guarantee Percentage (%)
Real-estate Loan Guarantees for Low and Middle Income Individuals	75,000	300	75%
Land Purchase Loan Guarantees	50,000	120	70%

Export and Domestic Credit Guarantee Programs	Max. Loan Amount (JD)	Max. Payment Period (Month)	Guarantee Percentage (%)
Export Credit Guarantees	4,000,000	6	90%
Domestic Credit Guarantees	4,000,000	4	90%

b- Process and Mechanism



How to Qualify for a Loan?

- 1. SMEs Definition**
- 2. Project Key Success Factors**
- 3. Main Elements of Credit Study**
- 4. Required Papers and Documents**
- 5. Documentation of Credit Facilities**

1. SMEs Definition*

Small Enterprises

The small enterprise should not be a public shareholding company, an insurance company nor a brokerage company

Assets of small enterprises and the annual turnover each total less than JD1 million

Small enterprises employ between 5 – 20 persons

Medium-Sized Enterprises

The total assets of medium-size range between JD 1 to 3 million, and annual turnover also ranges between JD 1 to 3 million

Medium-sized enterprises employ between 21-100 people

* As per CBJ's decision issued on 11/11/2011

2. Project Key Success Factors



3. Main Elements of Credit Analysis

Credit facilities are granted following a comprehensive analysis of the client's status in a number of areas, including credit, financial, legal and his/her previous experience, if available. The following elements are taken into consideration:

Borrower	Amount of Required Facilities	Facility Purpose	Guarantees	Repayment Sources
<ul style="list-style-type: none"> The client should have a good reputation. Good previous experience with the client, if available. The client should be trustworthy and meet his commitments (credibility). No judicial or any official authority verdicts have been issued against the client regarding their bankruptcy, discontinuation of any business with them or seizure of their properties. Efficiency and good experience. Financial solvency and credit rating. 	<ul style="list-style-type: none"> The amount of facilities given to a client should be relative to his financial capabilities, requirements, size of expected business and received guarantees. Legal lending limits should be taken into consideration. The maximum borrowing limit as identified in the company's memorandum of association and bylaws should be taken into consideration. 	<ul style="list-style-type: none"> Facility purpose should be within the company's activity. Purpose should be justifiable and legitimate. 	<ul style="list-style-type: none"> Guarantee value and its sufficiency to cover the facilities. 	<ul style="list-style-type: none"> The client should have sufficient repayment sources, in addition to alternative repayment sources in case the activity cash flow was fluctuating. Facility repayment should be made at the same time of the client's cash flow.

4. Required Documents

Legal Documents

- Copy of company registration certificate and signatories
- Copy of company memorandum of association and bylaws
- Copy of each partner's national identification cards
- The company and partners will be investigated as follows:
 - Credit risk enquiry through the Central Bank of Jordan, whereby this enquiry indicates the amount of credit facilities obtained by the company and its partners from Jordanian Banks
 - Black list enquiry, which indicates the amount of the company or partners' bounced and bad cheques
 - Enquiry of court cases, which indicates any pending legal proceedings against the company or partners

Financial Documents

- Budgets and financial statements of the company or institution for at least the last two years. If the company is a startup, a three-year cash flow forecast is required
- Statement of the client's granted credit facilities by other banks (if available)
- Other banks' statement of accounts (six months to one year). If the company is a startup, partners' statement of account is also required
- Trail balance of the application date
- Statement of accounts payable and accounts receivable listing the ages of these accounts (existing companies)
- Feasibility study if there were no financial statements (for expanding enterprises or startups)
- Documented statement of partners' financial solvency
- List of projects implemented and under execution if the company has more than one existing project or activity

Other Documents

- Summary of the company's nature of work
- Employee qualifications and experiences
- Written letter stating the required facilities

5. Credit Facilities Documentation

- Upon approving the facility application, the required contracts are prepared and signed to document the granted facilities.
- The facilities will be put into effect only after the contracts are signed and the required guarantees are completed and checked by the bank's legal department as appropriate.

Facility contracts must include the following items:

- Addresses of debtors and guarantors
- Facility value
- Purpose of using the facilities
- Credit facility length
- Facility repayment schedule
- Interests and commissions
- Details of the guarantee nature
- Default cases

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- Capital Bank
- Bank al Etihad
- Central Bank of Jordan (CBJ)
- European Bank for Reconstruction and Development (EBRD)
- Development and Employment Fund (DEF)
- Jordan Loan Guarantee Facilities (JLGF)
- Jordan Loan Guarantee Corporation (JLGC)
- Ministry of Antiquities and Tourism (MoTA)

References & Contact Details

BANKING SECTOR

Central Bank of Jordan

Tel: +962 6 4630301

Website: www.cbj.gov.jo

Housing Bank for Trade and Finance

Tel: +962 6 5005555

Website: www.hbtf.com

Islamic International Arab Bank

Tel: +962 6 5694623

Website: www.iiabank.com.jo

Jordan Ahli Bank

Tel: +962 6 5007777

Website: www.ahli.com/my_business

Capital Bank

Tel: +962 6 5100200

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Bank al Etihad

Tel: +962 6 5607011

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European Bank for Reconstruction and Development

Tel: +962 6 5635030

Website: <http://www.ebrd.com/jordan>

NON-BANK FINANCIAL SECTOR

Development and Employment Fund

Tel: +962 6 4618851

Website: www.def.gov.jo

Jordan Enterprise Development Corporation

Tel: +962 6 5603507

Website: www.jedco.gov.jo

Jordan Loan Guarantee Facilities (JLGF)

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Website: <http://www.lgfjordan.com>

Jordan Loan Guarantee Corporation (JLGC)

Tel: +962 6 5625410

Website: www.jlgc.com

REFERENCES

Financial Leasing in the Arab Countries: Experience and Development Requirements

Dr. Hasan Mohammed Al Fataftah

Introduction into Credits

Prepared by Mr. Mohammed Musa Dawood

**For more information visit the
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