Public Disclosure Authorized

Public Disclosure Authorized

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: PAD1364

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL LOAN

IN THE AMOUNT OF US$50 MILLION

TO THE

HASHEMITE KINGDOM OF JORDAN

FOR A

MICRO, SMALL, AND MEDIUM ENTERPRISE DEVELOPMENT FOR INCLUSIVE GROWTH PROJECT

March 25, 2015

Finance and Markets Global Practice
Middle East and North Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

THE HASHEMITE KINGDOM OF JORDAN

Currency and Equivalent

(As of February 11, 2015)
Unit of Currency = Jordanian Dinar
US$ 1 = JD 0.710

Fiscal Year
January 1st – December 31st

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AFESD	Arab Fund for Economic and Social Development
BDC	Business Development Centre
CBJ	Central Bank of Jordan
CGAP	Consultative Group to Assist the Poor
CPS	Country Partnership Strategy
DEF	Development and Employment Fund
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
ESIA	Environmental and Social Impact Assessment
ESMF	Environment and Social Management Framework
ESMP	Environmental and Social Management Plan
FIL	Financial Intermediary Loan
FM	Financial Management
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit *International Cooperation Society*
IBRD	International Bank for Rescontruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IFRs	Interim Financial Reports
JD	Jordanian Dinar
JEDCO	Jordan Enterprise Development Corporation
JLGC	Jordan Loan Guarantee Corporation
MNA	Middle East and North Africa
MFIs	Microfinance Institutions
MSME	Micro, Small and Medium Enterprises
NBFI	Non-bank Financial Institution
NGO	Non-Governmental Organization
POM	Project Operational Manual
OP	Operational Policy
OPIC	US Overseas Private Investment Corporation
PDO	Project Development Objective
PFI	Participating Financial Intermediaries
PIU	Project Implementing Unit
SCD	Systematic Country Diagnostic
SME	Small and Medium Enterprises
TA	Technical Assistance
US$	United States Dollar
USAID	United States Agency for International Development
VC	Venture Capital

Regional Vice President:	Hafez Ghanem
Country Director:	Ferid Belhaj
Senior Global Practice Director:	Gloria Grandolini
Practice Manager:	Rolf Behrndt
Task Team Leader(s):	Sahar Nasr

HASHEMITE KINGDOM OF JORDAN

Micro, Small and Medium Enterprise Development for Inclusive Growth Project Additional Financing

TABLE OF CONTENTS

ADDITIONAL FINANCING DATA SHEET

HASHEMITE KINGDOM OF JORDAN

Micro, Small, and Medium Enterprise Development for Inclusive Growth (P153987)
Project Paper

MIDDLE EAST AND NORTH AFRICA

Finance and Markets

Basic Information – Parent			
Parent Project ID:	P132314	Original EA Category:	F - Financial Intermediary Assessment
Current Closing Date:	31-Dec-2020		

Basic Information – Additional Financing (AF)			
Project ID:	P153987	Additional Financing Type (from AUS):	Scale-up
Regional Vice President:	Hafez Ghanem	Proposed EA Category:	FI - Financial Intermediary Assessment
Country Director:	Ferid Belhaj	Expected Effectiveness Date:	May 30, 2015
Senior Global Practice Director:	Gloria Grandolini	Expected Closing Date:	December 31, 2020
Practice Manager/Manager:	Rolf Behrndt	Report No:	PAD1364
Team Leader(s):	Sahar Ahmed Nasr		

Borrower				
Organization Name	Contact	Title	Telephone	Email
Government of Jordan	Dr. Saleh Al-Kharabsheh	Secretary General, MOPIC	96264634511	saleh.kh@mop.gov.jo

Project Financing Data–Parent (MSME Development Project for Inclusive Growth-P132314)

Key Dates

Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P132314	IBRD-82320	Effective	05-Mar-2013	12-Mar-2013	09-Jun-2013	31-Dec-2015	31-Dec-2020

Disbursements

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P132314	IBRD-82320	Effective	USD	70.00	70.00	0.00	70.00	0.00	100.00

Project Financing Data –Additional Financing JO-MSME Development for Inclusive Growth (P153987)

[X]	Loan	[ ]	Grant	[ ]	IDA Grant
[ ]	Credit	[ ]	Guarantee	[ ]	Other

Total Project Cost:	50.00	Total Bank Financing:	50.00
Financing Gap:	0.00		

Financing Source – Additional Financing (AF)	**Amount**
Borrower	0.00
International Bank for Reconstruction and Development	50.00
Total	50.00

Policy Waivers	
Does the project depart from the CAS in content or in other significant respects?	No
Does the project require any policy waiver(s)?	No

Team Composition

Bank Staff

Name	**Title**	**Specialization**	**Unit**
Sahar Nasr	Task Team Leader	Banking and MSME Finance	MNC03
Gabi Afram	Program Leader	Banking and MSME Finance	SACPK
Jad Mazahreh	Senior FM Specialist	Financial Management	GGODR
Nazaneen Ali	Senior Procurement Specialist	Procurement	GGODR
Laila AbdelKader	Financial Sector Specialist	MSME Finance	GFMDR
Nehal Helmy	Economic Analyst	MSME Finance	GFMDR
Shehab Marzban	Venture Capital Expert	Start-up and VC financing	GFMDR
Eric Ranjeva	Finance Officer	Loan Operations	WFALA
Lea Hakim	Economist	Macro and Fiscal Management	GMFDR
Tracy Hart	Senior Environmental Specialist	Environmental Safeguards	GENDR
Amal Hijazi	Senior Social and Environmental Specialist	Social and Environmental Safeguards	GFMDR
Maya Abi Karim	Senior Counsel	Legal	LEGAM
Alaa Abbassi	Senior Legal Advisor	Legal	GFMGP
Mohammed Khaled	Senior Operations Officer, IFC	Microfinance	CFGA3
Nahla El Okdah	Operations Officer, IFC	Microfinance	CFGA3
Hana Salah	Social Safeguards Specialist	Social Safeguards	GSURR
Steve W. Wan	Operations Analyst	Operations	GFMDR
Shingira Masanzu	Counsel	Legal	LEGAM
Jocelyne Jabbour	Program Assistant	Procurement	MNCLB
May Ibrahim	Senior Executive Assistant	Research	MNC02
Fatma El Zahraa Aglan	Research Analyst	MSME Finance	GFMDR
Nermin Nour	Program Assistant	Program Assistant	MNCEG

Institutional Data

Parent (MSME Development Project for Inclusive Growth-P132314)

Practice Area/Cross Cutting Solution Area (Lead)

Finance & Markets

Cross Cutting Areas

[ ] Climate Change

[ ] Fragile, Conflict & Violence

[X] Gender

[X] Jobs

[ ] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-	Mitigation Co-

			benefits %	benefits %
Finance	SME Finance	60		
Finance	Microfinance	40		
Total		100		

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Financial and private sector development	Micro, Small and Medium Enterprise support	50
Social development/gender/inclusion	Gender	50
Total		100

Additional Financing JO-MSME Development for Inclusive Growth (P153987)

Practice Area (Lead)

Finance & Markets

Cross Cutting Areas

[ ] Climate Change

[ ] Fragile, Conflict & Violence

[X] Gender

[X] Jobs

[ ] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Finance	MSME Finance	100		
Total		100		

[X] I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Financial and private sector development	Micro, Small and Medium Enterprise support	100
Total		100

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional loan in the amount US$50 million to the Hashemite Kingdom of Jordan for the Micro, Small and Medium Enterprise (MSME) Development for Inclusive Growth Project (P132314/Loan No. 8497-JO).

2. The proposed additional financing (AF) loan is sought in order to help finance the costs associated with scaling up activities of the well-performing parent project that has shown satisfactory results in improving access to finance for MSMEs in Jordan. The AF loan will enhance the impact of the parent project through: expanding its outreach to cover more governorates and underserved areas; increasing financing for start-ups; and involving more financial intermediaries. This project will also leverage support from the Arab funds, specifically the Arab Fund for Economic and Social Development (AFESD), ensuring synergies and complementarity. Thus, the closing date of the parent project will be extended from December 31, 2015 to December 31, 2020 and it is reflected in the legal agreements.

3. The objective of the original Project is to contribute to the improvement of access to finance for MSMEs in Jordan. This objective will remain the same under the AF. However, the AF will include direct lending from the Central Bank of Jordan (CBJ) to microfinance institutions (MFIs), in order to further promote microfinance, as well as focus on start-ups and further outreach to target more marginalized governorates. It is expected that the AF will lead to a deeper impact on access to finance for MSMEs in Jordan.

II. Background and Rationale for Additional Financing

4. ***An inclusive financial system can play a pivotal role in job creation, poverty reduction and overall sustainable economic growth.*** In this context, the proposed additional loan aims to contribute to the improvement of access to finance for micro, small and medium enterprises in Jordan. Through improved financial intermediation, the Project enhances the creation of private sector job opportunities, contributing to inclusive economic growth, and supporting poverty elimination efforts.

5. ***The AF operation responds to the Government of Jordan's request, dated October 1, 2014, for World Bank support in developing the MSME sector***. The link between MSMEs, job creation, and economic growth has implications for development strategies. Research confirms that smaller firms are significant contributors to total employment, job creation, and overall economic growth. These enterprises can contribute vitally to productivity growth, and thus form a vital focus for emerging economies striving to expand employment, especially among women and youth, as well as catering to geographically and economically underserved areas, with the ultimate objective of shared prosperity.

6. ***Regional uprisings and the global financial and economic slowdown have had implications on Jordan, taking the form of economic shocks, as well as demands for a more level playing field, equal access, and increased opportunities.*** Regional and international external shocks have weighed negatively on Jordan's economic performance which remains below potential. Gross domestic product (GDP) growth has decelerated to reach an average of 2.7 percent in the period from 2010 to 2014, despite a period of high rapid growth that reached an average of 6.5 in the 2000 to 2009 period. This slowdown is mainly due to the effects of the financial crisis, the Arab spring, the Syrian conflict, disruption of Egyptian gas supply to Jordan which has increased the energy import bill, and to some extent the deteriorating political situation in Iraq (the largest export market for Jordanian products). Moreover, the influx of more than 620,000 Syrian refugees has exacerbated a number of challenges for the Jordanian economy. Given that the economy is operating below potential, it has not been generating enough jobs to absorb the more than 60,000 young citizens who enter the labor market annually.

7. ***Despite fiscal consolidation efforts, modest economic growth has contributed to widen the fiscal deficit excluding grants, projected to have reached 14.7 percent of GDP in 2014 from 14.1 percent in 2013.*** The fiscal deficit including grants is however expected to have narrowed to reach an estimated 9.6 percent in 2014 from 11.5 percent in 2013. Fiscal pressures have resulted in worsening public debt, expected to have reached almost 91 percent of GDP by end-2014. Public debt as a share of GDP has been on an increasing trend for the past seven years but should fiscal adjustment efforts continue as part of the International Monetary Fund's outstanding Stand-By Arrangement, the debt to GDP ratio is expected to reverse this trend as of 2016.

8. ***High unemployment and poverty persist—unemployment remains high at 11.9 percent (as of end 2014).*** The unemployment rate among females is typically at least double that amongst males, reaching 20.8 percent in 2014 compared to 10.1 percent for males. The unemployment problem is more aggravated among youth where unemployment rates reached 36.1 percent and 31.8 percent for age groups 15 to 19 years old and 20 to 24 years old, respectively for 2014. The poverty rate stands at 14.4 percent in 2010, based on the most recent official estimates. Despite the progress in poverty alleviation, deteriorating global and regional economic conditions might have a negative impact on poverty in Jordan, especially with the limited fiscal space available to the government to extend social protection networks.

9. ***Developing MSMEs is one of the top priorities of the Jordanian government stemming from their significant role in job creation, economic inclusion and poverty alleviation.*** Promoting MSMEs in Jordan shall contribute to reducing unemployment especially among youth and women, in addition to positively contributing to financial inclusion through reaching out to marginalized groups in different geographical regions. The Government is keen on developing private sector led growth through enabling the environment for fast growing innovative small enterprises. These developments call upon leveling the playing field for MSMEs and improving the business environment, particularly their access to finance.

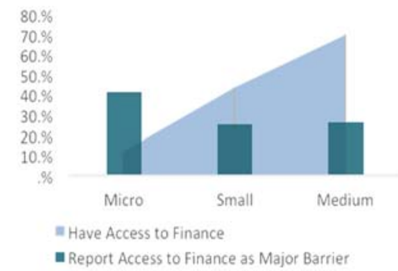
10. ***MSMEs today are positioned as the backbone and vanguard of the modern enterprise sector in Jordan.*** The 2011 General Economic Establishments Census revealed that MSMEs represent 95 percent of Jordanian enterprises, 66 percent of which have less than 19 employees; employ 70 percent of the total labor force employed by the private sector; produce outputs that contribute 40 percent towards national GDP, and account for 45 percent of total exports. Around 40 percent of the operating enterprises are located outside Amman.

11. ***MSMEs are major contributors to the Jordanian economy and to its competitiveness, and employment potential.*** There are around 150,000 registered enterprises in Jordan, of which MSMEs account for more than 94 percent. The majority of jobs are generated through MSMEs, employing around 71 percent of private sector employees, where SMEs employ 32.7 percent and microenterprises 38.7 percent. This sector is also a leading source of exports and incomes in Jordan.

12. ***Financial depth is not fully reflected in an improvement in financial access***. Loans-to-deposits ratio is 65 percent as of May 2014, reflecting the banks' conservative lending practices. Private sector credit-to-GDP is 64 percent, which is largely allocated to the large corporations (87 percent). Bank financing is relatively common for SMEs in Jordan, where banks are the principal source of external finance for SMEs. However, according to CBJ statistics in 2013, only 9 percent of bank lending goes to SMEs, compared to 25 percent in emerging markets. SMEs are undercapitalized and predominantly financed through internal funds, as well as, informal sources. The 2013 International Finance Corporation (IFC) Enterprise Finance Gap database shows the large disparities in terms of access to credit by size of firms. Only 12 percent of the micro firms have a loan versus 44 percent of small firms and 70 percent of medium sized firms (Figure 1).

13. ***Around 18 out of 25 banks have established dedicated SME departments, or have the capability to lend to SMEs.*** Several banks rely primarily on collateral-based lending rather than creditworthiness, leaving creditworthy SMEs unfinanced. Most loans require collateral, equal to about 23 percent more than the loan value, where small firms report having provided higher collateral than large ones. Moreover, the enforcement of basic contractual rights is cumbersome, time consuming and costly, representing a significant disincentive when lending to SMEs. To address this, several Jordanian banks use internal ratings systems for SME lending, which are based on a financial and qualitative analysis of SMEs. Furthermore, the first private credit information company has been granted an initial licensing approval and is expected to start operating in 2015. This company may involve a comprehensive credit information system that will comprise information from banks, MFIs, non-bank financial institutions (NBFIs), retailers and utilities. This will lower the credit risk for financial service providers and increase the level of access to finance for beneficiaries.

Figure 1: Access to Bank Loans, by Firm Size



Source: IFC Enterprise Finance Gap Database (2013)

14. ***At the Governorates level, SMEs face bigger challenges.*** Few banks and Government authorities have branches and offices in the different Governorates, reducing SMEs' access to services. The licensing procedures and requirements by municipalities can be quite burdensome and expensive for SMEs. According to a recent World Bank survey (2011), SMEs identify tax rates and macroeconomic uncertainty as key constraints.

15. ***On the demand side, the MSMEs' skills and capacity holds back their access to finance—Enterprises often lack transparency, and do not have audited financial statements.*** MSMEs are perceived as being less stable, and lacking competent management, and hence are considered more risky. These enterprises do not have sufficient collaterals, and when they do, they are not registered, making foreclosure difficult if not impossible. MSMEs often refrain from applying for bank loans due to their disbelief in interest-based borrowing. Small firms have indicated that hurdles in business licensing and regulatory policies, is a factor which is hindering their growth. Municipal inspections are common challenges; however, they have not been associated with informal payments.

16. ***MSMEs growth is constrained by various factors.*** On the supply side, MSME lending is hampered by an inadequate legal and institutional framework for secured transactions and insolvency, lack of credit reporting and information, and weak regulatory and supervision of financial services offered by NBFIs. A guarantee or risk-sharing mechanism can help compensate for the financial infrastructure deficiencies in the interim, as Jordan improves its credit information, secured transactions and insolvency. The Jordan Loan Guarantee Corporation's (JLGC) contribution to SME lending is currently low at 355 guarantees in 2014. However, substantial progress has been achieved in collaboration with the World Bank Group to improve JLGC's operations and the system. Yet, JLGC needs additional support to enhance its effectiveness.

17. ***MSMEs access to financial services was also constrained by limited provision of Shariah-compliant financial products.*** SMEs often refrain from applying for bank loans due to their religious discomfort with interest-based borrowing. There has been a growing demand for Shariah-compliant financial products in Jordan (54 percent of SMEs have strong preference for Islamic finance products in the country).[1] This class of services is only offered by four banks within the banking system. Jordan's Islamic banking assets account for around 15 percent of the overall banking sector assets,

[1] Please see "Islamic banking opportunities across Small and Medium Enterprises in MENA", IFC Report; May 2014.

the sector is well capitalized and liquidity is ample with deposits growing by seven percent during 2013. However, Islamic Banks account for only 11 percent of total banks' financing to SMEs with 95 percent provided in the form of the markup financing instrument (Murabahah). SMEs' Shariah-compliant financing is constrained by banks' over collateralizing SMEs and reluctance to bear credit risks. This gap is expected to narrow as the proposed Project will promote the introduction of Islamic financial products that reduce underlying risks either through asset backed instruments (e.g. Ijarah; Shariah compliant operating lease) or provision of third party guarantee through JLGC (Kafalah). This is expected to accelerate the industry's growth, and streamline SMEs access to Shariah-compliant financing.

18. ***Start-ups lack access to finance and to debt financing.*** The Government of Jordan is very active in catalyzing a growing entrepreneurial ecosystem, startups and the venture capital (VC) industry in Jordan. Entrepreneurship development initiatives backed by the Jordanian Government include, the Jordan Enterprise Development Corporation (JEDCO), King Abdullah II Fund for Development, Queen Rania Center for Entrepreneurship and iPARK as well as partially Government-funded incubator Oasis500. Jordan is considered as one of the main start-ups hubs in the MNA region. However, even with the existence of these Government initiatives, as well as a wide range of private sector-driven VC companies and angel networks, there is still a lack of financing for start-ups. Jordanian start-ups are challenged to receive follow-up funding after incubation and loans for startups (venture debt), which are not provided widely through banks in Jordan. The main challenges faced by Jordanian start-ups are the lack of follow-up funding between US$200,000 and US$500,000 and the need for additional business development services exceeding the supply currently offered (infoDev, 2012).

19. Therefore strengthening the ecosystem requirements through creating innovative financing mechanisms between banks and private VC stakeholders would boost the Jordanian entrepreneurial ecosystem. The promotion of venture debt financing via banks utilizing the current and upcoming product offerings of JLGC (such as the JLGC Entrepreneurs Loan Guarantee Program), would support the sustainable growth of the Jordanian entrepreneurial ecosystem.

20. The Jordanian authorities are committed to MSME development, and have undertaken significant reform measures to improve the enabling environment, and encourage its expansion with the objective of creating jobs. Efforts have been exerted to address the various challenges confronting MSMEs development, as main creators of new jobs and employment opportunities. Improving their access to finance as well as their access to business development services have been a key priority on the Government's agenda. Given the overwhelming preponderance of MSMEs in the Jordanian economy, it is important to support the sector as a means of boosting employment. Since these enterprises grow at faster rates once provided with sufficient funding, and a conducive environment, it is critical to support their growth. Moreover, high importance was given to Governorates outside Amman to promote growth in these districts, addressing any regional disparities. The Jordanian authorities are keen on improving peoples' standard of living, and maintaining social stability in the previously marginalized areas.

Rationale for Additional Financing in the amount of US$50 million.

21. ***The Bank-financed Jordan MSME Development for Inclusive Growth Project—parent operation, is a Financial Intermediary Loan (FIL) with one component (line of credit) in the amount of US$70 million.*** The loan was channeled through the CBJ—the project implementing entity, to eligible banks that either have an active MSME portfolio or the willingness and capacity to have one. The main project development objective (PDO) is to contribute to the improvement of access to finance for MSMEs in Jordan. This operation came at an opportune time in Jordan in the aftermath of the recent economic and political developments in the Arab region, and the associated

economic slowdown and rising unemployment and poverty. By ensuring commercially sustainable MSME lending, the operation contributed to the creation of sustainable private sector jobs for the disadvantaged segments of society—women and youth, as well as underserved governorates. The parent project has been consistently rated Satisfactory on both overall implementation progress, and progress towards achieving PDO.

22. ***Significant progress was made in project implementation, as evidenced by the rapid disbursement, and indicators achieved ahead of projected targets.*** The project was approved by the Board of Executive Directors on March 5, 2013; the Loan Agreement was signed on March 12, 2013, became effective on June 9, 2013, and had fully disbursed by December 21, 2014, within 18 months, responding promptly to client demands and the financing needs of job-creating MSMEs. The total volume of lending to MSMEs under this line of credit reached US$70 million, above the targeted US$34 million during the first year of implementation.

23. ***The project played a pivotal role in addressing the key challenges of job creation especially among youth and women.*** Over 6,000 MSMEs benefitted from the operation, as opposed to the overall target of 2,000 by the end of year four—59 percent of which are located outside Amman in underserved governorates. Women represent 85 percent of project beneficiaries, while youth represent 47 percent. The total number of jobs created under this operation, as evident in the impact evaluation[2], was 2,180 job opportunities of which around 62 percent are women and 65 percent are youth. The project also reached out to governorates providing around 55 percent job opportunities beyond Amman. Overall, the operation contributed to the twin goals of ending poverty and promoting shared prosperity in Jordan as proved in the outreaching to 63 percent of the project beneficiaries in rural areas outside Amman facing a higher risk of poverty attributed to limited employment and business opportunities and inadequate access to financial services. This was mostly in northern cities with highest absolute poverty rates (namely Irbid at 15 percent; Mafrak at 19 percent, Jerash at 20 percent and Ajloun at 25 percent), the highest relative to the Kingdom wide absolute poverty rate of around 14.4 percent.

24. ***The proposed AF operation will finance scaling-up the well-performing parent project's activities to further enhance its impact.*** No significant changes are proposed to the design, implementation arrangement, or PDO of the parent operation. However, it will take stock of lessons learned in terms of expanding outreach, and financing tools. Specifically, this proposed AF aims at expanding outreach to cover more governorates and underserved areas; increasing financing for start-ups; and involving more financial intermediaries beyond the current 12 banks.[3] It will improve MFIs' access to finance through direct lending from CBJ to MFIs, given the recent improvements in the legal and regulatory framework—(the Microfinance by-laws (No. 5 of 2015) approved by the Cabinet on December 14, 2014, and published in the official Gazette on February 1, 2015,[4]) as well as the granting of an initial licensing approval for the first private credit bureau.

25. ***The recent development in the regulatory space within the financial system that brought MFIs under the supervision of CBJ will expand the outreach further under the proposed AF,*** since MFIs will be able to directly access the funds from CBJ towards end beneficiaries. The AF will ensure wider participation of MFIs[5], whose client base is mostly women, start-up businesses, and

---

[2] An impact evaluation report was undertaken after one and a half years of project implementation, by using bank quarterly reports, which included the gender, age, location and nature of the business of successful applicants (and whether the sub project is in environmental and social compliance).

[3] The current 12 banks include Cairo Amman Bank, Jordan Kuwait Bank, Blom Bank, Arab Bank, Ahli Bank, Etihad Bank, Capital Bank, Jordan Commercial Bank, Housing Bank for Trade and Finance, Societe General Bank, Islamic International Arab Bank, and Jordan Islamic Bank.

[4] This would allow CBJ to lend directly to MFIs, now that they will be regulated and supervised by CBJ.

[5] Potential MFIs include Tamweelcom, Microfund for Women, and Vitas Jordan.

entrepreneurs. Direct lending from CBJ to MFIs will also reduce the interest rate on these business clients and ensure support to these segments that have shown effectiveness and viability in terms of job creation, poverty alleviation and presence in the governorates.

26. ***The impact of the AF loan will be reinforced due to the establishment of the MSME Steering Committee***, headed by the Minister of Planning and International Cooperation. This committee was established by a Ministerial decree on March 16, 2014, and aims at ensuring efficient targeting of the underserved segments, whilst supporting MSME development. This will allow future projects to cater to a broader base, and thus increase the effectiveness of future MSME financing.

27. ***Support to the MSME sector is critical, especially since market failures continue to exist in Jordan.*** Under the parent project operation: 48 percent of the total number of loans was for the purposes of working capital; 12.4 percent of the total number of loans was for purposes of construction and land purchases for expansion of existing business; and 39.6 percent of the total number of loans was for purposes of equipment purchases, machinery and vehicles.

28. ***Awarding loans to new businesses, and in turn creating new employment opportunities, will be the main focus of the operation.*** There is a large and growing demand for more affordably priced loans, and this demand is expected to grow in the future. An average of 40 percent of the volume of loans through banks under the parent operation were directed to support services sector, whereas the manufacturing sector received around 18 percent and the commercial and trading services received around 16 percent. MFIs provided around 38 percent of volume of loans to commercial and trading activities; and 15 percent to cloth and textiles micro projects; as well as 14 percent to service related activities.

29. ***The proposed project follows a programmatic approach to enhance access to finance in Jordan,*** as this project is one component of an integral package of support, ranging from the International Finance Corporation (IFC) advisory services and capacity building for financial intermediaries, to technical assistance (TA) under the IFC-Bank MSME TA Facility, the Transition Fund, and the Development Policy Loan led by the Macroeconomic and Fiscal Management Global Practice (GP). Complementary activities include support to strengthen the financial infrastructure (credit bureau, payments system), legal and regulatory reforms (microfinance law, consumer protection, etc.); institutional reforms (JLGC and JEDCO) as well as capacity building activities to enterprises by the Trade and Competitiveness GP.

30. CBJ has established a grievance mechanism that provides a way to offer communities an effective avenue for expressing concerns, achieving remedies, and promoting a mutually constructive relationship. CBJ identified a central point for coordination within CBJ to address concerns related to the project. CBJ will continue to (i) make available to the public (including MSMEs, banks, MFIs) who and how to make contact through the website, application process and in newspaper advertisements of the project; (ii) be held responsible to respond to complaints in writing or by phone within two to three weeks of the complaint; and (iii) periodically monitor the grievance mechanism effectiveness.

Link with the Country Partnership Strategy, Systematic Country Diagnostic, and other WBG and development partners' activities

31. ***The proposed operation is closely aligned with the World Bank Group's Country Partnership Strategy (CPS) for Jordan (FY2012-2015) (Report No. 58114-JO),*** discussed by the Board of Executive Directors on January 24, 2012. The Project addresses one of the key strategic objectives of the CPS, namely, strengthening the foundation for sustainable growth and job creation, with a focus on competitiveness through supporting improvements in the business environment, and removing obstacles confronting MSME development. This includes facilitating private sector

development through improving financial sector competitiveness and efficiency; and promoting inclusive growth and equity. The CPS envisions improving access to finance for MSMEs as a priority, which the proposed operation aims to achieve. The operation is also in line with the second objective of enhancing inclusiveness through interventions to municipalities, and communities based on their needs, abilities and comparative advantage, as it will target marginalized governorates and poor areas.

32. ***The Project's objective is also aligned with the Bank and IFC's regional framework and strategy for the Middle East and North Africa (MNA) region*** which has evolved to respond to the events of the Arab Spring and focuses engagement on inclusion, job creation and sustainable private sector-led growth. Through contributing to an improvement in access to finance for MSMEs in Jordan, this operation will ultimately expand employment opportunities through the development of the Jordanian private sector. In doing so, the operation will also demonstrate how improved financial intermediation to MSMEs can lead to sustainable private sector jobs, development of entrepreneurship capacities and reduction of poverty, as well as contribute to overall economic growth. As such, the project is also aligned with the World Bank Group's strategic goals of ending extreme poverty and boosting shared prosperity.

33. ***The proposed additional loan is also complemented by other activities from the World Bank Group (WBG) and development partners***. In parallel to this operation, TA is being provided under the joint IFC-Bank MENA MSME TA Facility,[6] the Enhancing Governance and Strengthening the Regulatory and Institutional Framework for MSMEs Development Transition Fund Project, Deauville Partnership which aims at enhancing financial services and products and strengthening financial protection mechanisms for MSMEs, while enhancing governance, as well as the advisory activities of the IFC Financial Institutions Group. It would also leverage support, ensuring synergies and complementarity, from AFESD (US$150 million); and the European Bank for Reconstruction and Development (EBRD), amounting to US$120 million which aim at increasing financial access to MSMEs, with a special focus on medium enterprises while the focus of the additional financing is primarily on micro and small enterprises, as well as start-ups. All activities will be completed within five years of the current closing date of the parent project. Thus, the closing date of the parent project will be extended from December 31, 2015 to December 31, 2020. All the TA and capacity building activities would contribute to accelerating MSMEs growth (from micro, to small, to medium, and consequently to large) with the possibility of movement into exports markets. Details of complementary activities and involved entities in the MSME sector are provided in Annex II.

Gender mainstreaming

34. ***In order to achieve inclusive growth, it is important to target women-owned enterprises through developing new gender-based products and special windows for women,*** especially in marginalized Governorates where there are barriers to women's economic participation. The project will ensure both that women have adequate TA to become successful in their entrepreneurial endeavors and support a number of innovative programs to provide financial capital to more women.

35. ***Women and youth are less visibly targeted by commercial banks, as opposed to MFIs where a special focus is given to women and youth-led businesses, both inside and outside Amman***. Focus would be levied on this society segment and participating financial intermediaries (PFIs) will be encouraged to deliver substantial efforts and preferential offerings in this area.

[6] The facility is providing TA to Jordan Loan Guarantee Corporation (JLGC), to the Jordan Enterprise Development Corporation (JEDCO), as well as TA to improve the Credit Bureau Law and institutional set-up, the Secured Transactions Law, in addition to banks on Islamic finance.

36. ***MSMEs in Jordan comprise 97 percent of private enterprises, where there is a negligible percentage of female and youth entrepreneurship to speak of.*** This is an issue that deserves immediate and continuous attention. Although MFIs are targeting female and youth clients, it is imperative for a new approach to be implemented to move these two marginalized segments of society from the traditional context and sectors they are usually engaged in, into new, developed and innovative ones. It is a globally positively validated statement that when women do well, the economy does well.

37. ***There is an opportunity to enhance the focus on women entrepreneurs (as women represent 85 percent of the beneficiaries of the parent project)*** by: (i) exploring products and innovative delivery methods customized for women entrepreneurs; (ii) financial Innovation Knowledge Fair, that could showcase innovative financing instruments/products for MSMEs customized for women entrepreneurs; (iii) establishing a Community of Practice for women entrepreneurs who manage, own or lead MSMEs or who are currently applying for a loan; (iv) infomercials which will introduce the CBJ scheme specifically dedicated to women entrepreneurs and explain innovative financing instruments/products for MSMEs; and (v) video contest featuring already accomplished women entrepreneurs who manage, own or lead MSMEs.

38. ***The project will include a strong gender mainstreaming feature through the provision of special financial and non-financial products for women***, which will contribute to their economic empowerment, and in turn increase the total number of participants contributing to the economy at large. To ensure the strong impact of the project, the operation will be complemented with technical assistance under the joint World Bank-IFC MENA MSME TA Facility. TA and advisory services will be provided under the facility to improve the business environment for MSME lending, build the capacity of financial institutions, as well as MSMEs, and to support business development services in Jordan. This package of assistance will help unlock the market for lending to MSMEs and improve the access of job-creating enterprises to liquidity and much needed funding.

Citizen Engagement

39. ***Increasing voice, participation and accountability is a MNA priority.*** Citizen engagement will ensure transparent and effective processes for greater citizen voice and participation in the preparation, implementation, monitoring and evaluation of the operation; with the objective of improving accountability and thereby increasing the development impact of the project for all citizens. The aim is to maximize client impact and results by incorporating citizens' voices into the operation.

40. ***Throughout project preparation***, CBJ held discussions with stakeholders including banks (commercial and Islamic banks), MFIs, well as other potential financial institutions, around the design and details of the proposed project. The consultations with numerous stakeholders will continue throughout project implementation to ensure their buy-in and ownership.

41. ***Beneficiary Feedback Mechanisms.*** In order to ensure the strong impact of the operation on the ground, beneficiary feedback mechanisms will be integrated into the project. Feedback loops will be integrated throughout the project cycle by developing customized, sustainable, context-specific feedback mechanisms. Directly collecting feedback from beneficiaries during their access to financing will guarantee that their experience is monitored; that they do not face discrimination and that any eventual issue is spotted early before it becomes a problem. Using beneficiaries' feedback before, during and after beneficiaries apply to financing enables the project to guarantee that beneficiaries are receiving timely and appropriate information, adequate service, that they are not subjected to improper behavior or corruption practices and that PFIs do not create unnecessary hurdles or discrimination. Mainstreaming citizens and effective beneficiary feedback mechanisms will ensure a transparent financing process, with every potential beneficiary provided with adequate

and timely information which will contribute to a more level playing field and providing equal opportunity. This will be achieved through consultations, disclosure and communication, grievance redress mechanisms, and community and participatory monitoring.

III. Proposed Changes

Summary of Proposed Changes	
Change in Implementing Agency	Yes [ ] No [X]
Change in Project's Development Objectives	Yes [ ] No [X]
Change in Results Framework	Yes [X] No [ ]
Change in Safeguard Policies Triggered	Yes [ ] No [X]
Change of EA category	Yes [ ] No [X]
Other Changes to Safeguards	Yes [ ] No [X]
Change in Legal Covenants	Yes [ ] No [X]
Change in Loan Closing Date(s)	Yes [X] No [ ]
Cancellations Proposed	Yes [ ] No [X]
Change in Disbursement Arrangements	Yes [ ] No [X]
Reallocation between Disbursement Categories	Yes [ ] No [X]
Change in Disbursement Estimates	Yes [X] No [ ]
Change to Components and Cost	Yes [ ] No [X]
Change in Institutional Arrangements	Yes [ ] No [X]
Change in Financial Management	Yes [ ] No [X]
Change in Procurement	Yes [ ] No [X]
Change in Implementation Schedule	Yes [ ] No [X]
Other Change(s)	Yes [ ] No [X]

Development Objective/Results
Project's Development Objectives
Original PDO The objective of the Project is to contribute to the improvement of access to finance for micro, small and medium enterprises in the Hashemite Kingdom of Jordan.
Current PDO No change proposed.
Change in Results Framework
The following intermediate result indicator has been added: 'Number of MFIs engaged in micro enterprise lending under the line of credit'

Compliance	
Conditions - Additional Financing (JO-MSME Development for Inclusive Growth - P153987)	
Name Article V5.01	**Type**: Effectiveness
Description of Condition The Subsidiary Agreement has been executed on behalf of the Borrower and the Project Implementing Entity.	
Name Article V5.02	**Type**: Effectiveness

Description of Condition
The Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower of the Project Implementing Entity in accordance with its terms

Risk

Risk Category	Rating (H, S, M, L)
1. Political and Governance	M
2. Macroeconomic	M
3. Sector Strategies and Policies	L
4. Technical Design of Project or Program	L
5. Institutional Capacity for Implementation and Sustainability	L
6. Fiduciary	M
7. Environment and Social	L
8. Stakeholders	M
9. Other	L
OVERALL	L

Finance

Loan Closing Date - Additional Financing (JO-MSME Development for Inclusive Growth - P153987)

Source of Funds	Proposed Additional Financing Loan Closing Date
International Bank for Reconstruction and Development	December 31, 2020

Loan Closing Date - Parent (JO-MSME Development for Inclusive Growth - P132314)

Explanation

Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
IBRD-82320	Effective	Dec 31, 2015	Dec 31, 2015	Dec 31, 2020	Dec 31, 2015

Expected Disbursements (in US$ Million) (including all Sources of Financing)

Fiscal Year	2015	2016	2017	2018	2019	2020
Annual	5	10	15	10	10	-
Cumulative	5	15	30	40	50	50

Allocations - Additional Financing (JO-MSME Development for Inclusive Growth - P153987) (US$ Millions)

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement %(Type Total)
			Proposed	Proposed
IBRD	US$		50.00	100.00
		Total:	50.00	

IV. Appraisal Summary

A. Economic and Financial Analysis

42. ***MSMEs provide employment and income for significant proportions of labor in the rural and urban areas***. A major advantage of the MSME sector is its employment potential at low capital cost. Furthermore, the labor intensity of this sector is much higher than that of the large enterprises.

MSMEs are increasingly seen as an essential ingredient in promoting inclusive growth, improving the well-being of the poor and women by providing significant income and employment generating opportunities. For MSMEs to be successful in improving competitiveness, growing sales and jobs, and contributing more broadly to economic growth, they need access to appropriate working capital loans, investment financing, risk capital, trade finance, and other financial services. Restricted access to finance constrains MSME expansion of capacity, adoption of innovations, and ability to look for and take advantage of new market opportunities, which in turn prevents the increases in competitiveness and employment that the region needs. The proposed line of credit directly addresses these constraints.

43. The proposed AF is expected to: (i) lower the costs and risks of MSME lending, which would in turn result in both increased access to finance and enhanced stability of the financial system; (ii) help initiate a systemic change in the perception of the bankability of MSMEs, which will lead to expanded and sustainable credit through a demonstration effect; (iii) enable MSMEs to improve competitiveness and increase employment or incomes; (iv) improve governance and opportunity in the private and financial sector, with MSMEs accessing financing based on transparent selection criteria and on better quality information; (v) decrease the level of informality, as firms have to comply with tax and other legislation to get access to loans; and (vi) increase MSME access to credit during a challenging period for the financial sector and economy, thereby increasing the number of enterprises likely to survive during an economic slowdown.

44. The additional loan design supports improved economic governance in Jordan through maintaining access to finance flows, and opening up access to finance for enterprises beyond the established corporate sector. The eligibility criteria will help ensure access for smaller firms, and for firms in underserved regions. TA and policy lending will support reforms that enable financial institutions to lend to enterprises that are not existing bank customers, and that do not have land or property to offer as collateral, and reforms that promote competition between financial institutions to better serve the MSME sector.

B. Technical Analysis

45. The proposed operation will be a FIF in the amount of US$50 million. The Bank loan will be channeled through the CBJ, which will be responsible for communicating the features of the loan to the financial intermediaries and negotiating loan contracts. The CBJ will on-lend to MFIs, and banks that either have an active MSME portfolio or the willingness and capacity to develop one. The banks and MFIs will then on-lend the funding directly to MSMEs, and will have the option to lend to MFIs that will on-lend to MSMEs. Lending will only take place if the potential bank meets specific eligibility criteria that is acceptable to the World Bank and that was designed and agreed upon with the Jordanian authorities.

46. The operation will enhance the role of financial institutions in economic growth through financing and developing the MSME sector in Jordan, as well as, provide a special focus on increased long and medium-term financing for these enterprises' investment, and working capital. The line of credit will also encourage the growth and expansion of start-ups and existing enterprises; act as an incentive for enterprises that previously refrained from accessing the formal finance market. The main clients will be the unbanked and existing clients that need longer maturity or additional financing.

47. The line of credit will be implemented in parallel with TA under the MENA MSME Facility. Hence this operation should be seen as part of a package of assistance from the World Bank Group that includes liquidity to MSMEs through a line of credit, capacity building for improving the enabling environment, TA to financial institutions on MSME lending, and help to MSMEs in the outlying areas of the country. This package of assistance will help unlock the market for lending to

MSMEs and improve the access of job-creating enterprises to liquidity and much needed funding. Such a design is in line with what has been done in other countries and is considered to be a technically-sound all-inclusive package of assistance to address this issue.

48. Apart from liquidity that the line would provide to participating banks and MFIs, it would also incentivize participation through the longer tenure of loans. Other incentives could be considered, such as incentivizing women entrepreneurs, whereby if introduced, would be subject to commercial principles and be back ended, following satisfactory debt servicing. Subject to adherence to eligibility criteria, the banks' proposals would be evaluated in light of the 'additionality' they entail in financing MSMEs–for example in introducing new products, reaching particularly underserved regions or new MSMEs, innovative use of delivery channels, etc. Such requirements are expected to lead to better quality MSME lending and serve as a demonstration for the broader banking sector to enhance their engagement in MSME lending and will include specific ratios and benchmarks.

C. Social and Environmental Safeguards

49. ***Sub-projects supported by this project are designed to have primarily positive social impacts.*** The AF aims at and is expected to lead to increased investment and increased indirect labor demand in the medium-long term. In general, gender empowerment, mainstreaming, access to finance, youth employment, poverty reduction and social impacts of increased investment will be further enhanced through the benefits of induced economic growth, and through the direct provision of MSME services via MFIs.

50. ***The risk of MSMEs taking on debt for the first time and not comprehending the risks associated with over indebtedness, nor having the know-how capacity to manage their loans was initially high in the micro to small businesses.*** However, these risks did not negatively impact project performance and are currently assessed as low. The banks that CBJ lent under this project have undergone the required experience, lending to these groups and MFIs. The project will also engage directly with MFIs, whose dominant client base is females, yet who must mitigate risk through ensuring that they will be screening clients, as per initial training to be provided to MFIs by the Safeguards Specialist.

51. ***The project team will continue to consult with potential PFIs (commercial banks, Islamic banks and MFIs), line ministries and other government bodies, the Jordan Chambers of Trade and Industry, as well as financial intermediaries*** to present the project structure, explain the safeguards procedures to relevant stakeholders and to get their feedback on its design in order to get their views on the constraints for MSMEs, the proposed FIF, in addition to their ideas on and potential partnership in the provision of TA to MSMEs. All financial institutions will be notified of the availability of funds through circulars and awareness sessions to be held by CBJ targeted at industrial clusters, through fliers and Chambers of Commerce and Industry in Greater Amman and the Governorates.

52. ***Borrower's institutional capacity for safeguard policies implementation will continue to be emphasized*** and assured by the engagement of the PIU at CBJ and its close coordination with the Ministry of Environment, and Chamber of Trade and Industry, as the latter are in more direct contact with the end beneficiaries. The PIU must coordinate closely with the Ministry of Environment to ensure banks and MFIs do not complete the loan procedure before lenders provide copies of relevant environmental and social clearances to be retained in their log book file on aggregated information on compliance with the national Environmental Impact Assessment (EIA) regulations in harmony with the Environmental and Social Management Framework (ESMF).

53. ***Borrower's institutional capacity for safeguard policies***. The Project will be implemented by the existing PIU at CBJ. Therefore, the CBJ will be responsible for implementation of contracts,

and the PIU will report to the Bank on implementation, including compliance with ESMF. The CBJ will be accountable for the monitoring and reporting on safeguards issues. The PIU, in coordination with the Bank's Social and Environmental Safeguards Specialists will be responsible to aggregate information on compliance with the ESMF. The capacity of CBJ on World Bank environmental and social safeguard policies, requirements, and reporting will continue to be strengthened.

54. ***CBJ, in coordination with the Bank's Social and Environmental Safeguards Specialists, will be responsible for training participating banks and MFIs in monitoring and implementation of the project and safeguards issues.*** Training will be provided to the lending banks and MFIs to aggregate needed reports from the respective authorities or alternatively to allocate funds for the conduction of such report generation and aggregation. In addition, CBJ will be held accountable for supervision and in turn ensuring that all project works are in compliance with the ESMF. Since not all borrowers are familiar with implementation of the monitoring system, institutional capacity building and training will be provided as noted in the OM to the participating banks and MFIs designated loan officers. The participating banks and MFIs need to report to CBJ, the progress of implementing mitigation measures within the timeframe and capabilities agreed with the Bank. Such monitoring reports should contain information about types of activities undertaken by MSMEs, number of site visits conducted, number and types of problems uncovered according to the agreed key performance indicators, and other good practices seen evident in the field such as impacts on the environment, jobs created, age (youth) and gender aggregated data in support of the project indicators reporting process. The MSMEs, banks, MFIs and CBJ need social safeguards capacity to implement and monitor Bank safeguards policies. This will cover screening, impact assessment, preparation of ESMPs, monitoring, reporting and carrying out spot environmental audits.

D. Environment (including Safeguards)

55. ***The additional loan will be classified as Category "FI", according to World Bank Safeguard and Environmental and Social review procedures.*** Category FI: is a Category F project which involves investment of Bank funds through a financial intermediary (FI), in sub-projects that may result in adverse environmental impacts also known as Category FI.

56. ***The list of proposed sub-projects, as well as the screening process and monitoring and reporting arrangements, will remain the same as the parent project.*** Financed activities in the parent project included: small commercial shops (selling pastries and sweets, dairy products, household goods, bedding, car accessories, used female clothes, and fabrics), carpentry, commuter vans, child daycare centers, small-scale chocolate production, and restaurants. As the AF will involve more financial intermediaries beyond the current 12 banks, the new banks and MFIs will need training in the sub-project screening process. This training needs to occur prior to the start of AF implementation.

57. ***An ESMF was developed for the parent project to identify, minimize, avoid, screen out, mitigate and monitor potential social and environmental impacts in compliance with World Bank Policies, and the Jordanian applicable environmental laws and regulations.*** The ESMF will continue to be applied by the banks and MFIs in the selection and supervision of MSMEs and sub-projects to be financed. The ESMF will continue to be an integral part of the OM. No additional safeguards are envisaged by the focus on underserved governorates and population segments (e.g. women). The current safeguards instruments have been satisfactorily applied in the parent project and no changes in the safeguards instruments are envisaged for the AF. The sub-project financed to date in the parent project has been classified as having minor impacts, and have thus either not needed a sub-project EMP or have been able to implement a generic sub-project EMP.

58. ***An ESMF has been prepared to the satisfaction of the Bank*** and was disclosed in Jordan in English and an executive summary in Arabic on the CBJ website (http://www.cbj.gov.jo) on October 24, 2012, and at the World Bank InfoShop on the same date.

59. ***Engagement of the Ministry of Environment and its support to CBJ would continue to ensure impact minimization and mitigation measures implementation*** prior to funding of the MSMEs by the banks or MFIs. In most cases, the negative environmental impacts that may be generated by the sub-projects would be easily mitigated by complying with national environmental law and through the implementation of the ESMF, which includes a screening mechanism against common environmental impacts such as the generation of waste, wastewater, dust, noise, disturbance to traffic, potential injury to personnel, negative impacts on Flora and Fauna, habitat endangering, negative impacts on archaeological sites, land degradation, etc., according to applicable Bank safeguards. It is anticipated that for sub-projects with negative impacts, in most cases, the preparation and implementation of subproject-specific ESMPs would be sufficient. If sub-projects are categorized according to Jordan EIA Regulation No. 37 of 2005—as CI or II, environmental action would be required prior to loan approval and disbursement as part of the approval process to proceed due diligence. More details specific to the Jordan environmental assessment process are in the OM, in a flow diagram entitled "procedure flow for E&S risk management system." CBJ will also continue to facilitate the work of the Bank's Social and Environmental Safeguard Specialists, through coordination with the Ministry of Environment.

60. ***In Jordan, environmental approval for projects is provided by the Ministry of Environment's EIA Regulation No. 37 of 2005*** which categorizes projects according to impact: Category—CI projects are subject to EIA, with social safeguards embedded in the EIA. The Ministry of Environment under the obligation of providing an opinion on the EIA within 14 days of receiving the EIA; Category—CII projects require an initial environmental assessment and are subject to standard mitigation procedures while Category III projects require no environmental analysis.

61. ***The current system in place for ensuring environmental and social safeguards compliance in Jordan is through the existing Jordanian Environmental Protection Law (EPL) No. 52 of 2006.*** The system is implemented through the EIA Regulation No. 37 of 2006 and its five annexes. This regulation assigns full authority to the Ministry the Environment through the Central Licensing Committee and has guidance to arrange for screening, control and follow up on the EIA process and its implementation. Thus existing national compliance system will ensure compliance with the environmental and social safeguards requirements of the World Bank. To ensure and audit the screening process, the Bank's Environmental and Social Safeguards Specialist will continue to periodically visit the CBJ to inspect/audit environmental and social safeguards compliance documentation obtained from the lending banks and MFIs as retained by CBJ through regular reporting by the lending banks and MFIs to CBJ and comparing them with the logs available by the EIA and Licensing and Follow Up Directorates at the Ministry of Environment.

62. ***After screening and approval of the impact assessment by the Ministry of Environment, the sub-project is cleared for financing under the Project.*** Mitigation actions would be specified as an Annex to the impact assessment, which would include: impact; mitigation; party responsible for mitigation; monitoring indicator; indicator; timing; cost. In terms of reporting on compliance with the ESMF. In the parent project, CBJ reporting to the Bank has been quarterly; similarly, the Bank has performed safeguards supervision quarterly. The CBJ reporting includes detailed spreadsheets with the number of sub-projects, sub-project level classification, and sub-project EA category. This sub-project level information has been cross-checked with licensing request log books at the Ministry of Environment in order to ensure the client reporting is robust. The parent project was included in an Internal Audit Department review of FI projects conducted in January 2015. Both client and Bank safeguards supervision has been satisfactory.

E. Other Safeguard Policies

63. Proof of completion of the screening and review procedures carried out by the Ministry of Environment should be enforced, and a copy should accompany the loan application before sub-projects are financed in order to prevent funding of economic activities with negative impacts on human development and the environment.

64. Category A (WB)/Category I (Jordan) sub-projects would not be eligible; furthermore, sub-projects that trigger OP/BP 4.04 (Natural Habitats), OP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), OP/BP 4.37 (Safety of Dams), OP/BP 7.50 (that affect International Waterways) and OP 7.60 (Disputed Areas) would not be eligible for financing; OP 4.10 (Indigenous People) would not be triggered.

F. Risks

Risk Categories	**Rating (H, S, M, or L)**
1. Political and governance	**M**
2. Macroeconomic	**M**
3. Sector strategies and policies	**L**
4. Technical design of project	**L**
5. Institutional capacity for implementation and sustainability	**L**
6. Fiduciary	**M**
7. Social and Environment	**L**
8. Stakeholders	**M**
9. Other	**L**
Overall	**L**

65. ***Sector Strategies and Policies: Financial Institutions***--there is a risk that financial institutions that do not meet the eligibility criteria will lobby against the Project. While the eligibility criteria will be transparent and set in line with good practice, they will by nature exclude some institutions. Smaller financial institutions with a limited outreach to MSMEs in rural areas are less likely to be selected and may be particularly frustrated by this outcome. ***Risk Management****: The eligibility criteria will be communicated in a clear and transparent manner to all financial institutions who show an interest in this loan. The criteria will be aligned with and formulated in close cooperation with CBJ.*

66. ***Political and Governance: Public at large*** **—** given political instability in the region and the mistrust of international agencies, there could also be a perception that the Bank is over indebting Jordan, and that this loan's primary beneficiaries are banks charging commercial interest rates, not MSMEs. ***Risk Management:*** *The loan will focus on priorities of the public – finance to micro and small enterprises, a segment which is currently underserved by financial institutions. Consultations will be conducted with MSME sector. Furthermore, the CBJ can explain to the public that the loan will have a very moderate fiscal impact, and the Government can repay the loan and the loan cost through the on-lending arrangement with participating banks*

67. ***Institutional Capacity for Implementation***. Inadequate capacity of CBJ to on-lend the funding as this is not their regular line of business. ***Risk Management:*** *This risk will be mitigated by the Project Implementing Unit (PIU) established at the CBJ whose capacities are being developed in parallel under the MSME TA Facility. There were also be regular monitoring and evaluating by the Bank team and each contract will need the Bank's No Objections before their signing. This is risk is low given the successful implementation of the parent project.*

68. ***Institutional Capacity for Implementation (Banks and MFIs)****:* There is a risk that banks lack the capacity to serve MSMEs adequately. Some FIs do not have the proper tools and capacity to serve MSMEs in a cost effective and financially sustainable manner. ***Risk Management:*** *The institutional capacity of banks to serve MSMEs or MFIs will be part of their selection criteria, and will be given a high weight. Criteria will include proper institutional structures (e.g. SME lending unit, scoring models, etc.), outreach (branch network, etc.) as well as an existing track record of serving MSMEs. The TA window of the regional MSME Facility will support further improvements in financial institution capacity and products for MSME Finance.*

69. ***Fiduciary*** - There could be a potential conflict of interest at CBJ. ***Risk Management:*** *Clear eligibility criteria and governance structures around bank selection would mitigate the risk. The POM sets out clear eligibility criteria that will inform all lending from the CBJ to the banks and MFIs. Furthermore, no state-owned banks exist in Jordan and as such, the CBJ has neither motivation to prefer nor potential interest in one bank over another. Lastly, CBJ has a long history of capable supervisory abilities and the rules of the supervision function for all banks would remain unchanged.*

70. ***Technical Design:*** The MFIs and banks may not be able to absorb the additional funding from the line of credit. ***Risk Management:*** *The CBJ will be allowed to reallocate the line of credit for MSME lending to whichever of the two product components that demonstrates the greatest demand for funding and which has the best performance in terms of outreach (volume, geographic coverage, and gender) and repayment.*

71. ***Social and Environmental****: Negative impacts on environment:* Some projects funded under this loan might engage in activities that are harmful to the environment and have negative social safeguard impacts. ***Risk Management:*** *The Environmental and Social Impact Assessment /Environment and Social Management Framework (ESIA/ESMF) will identify, minimize, avoid, screen out, mitigate and monitor potential social and environmental impacts in compliance with World Bank policies and Jordan's applicable laws and regulations. The ESIA/ESMF will be applied by the PFIs and MFIs in the selection and supervision of MSMEs and sub-projects to be financed. The ESIA/ESMF was disclosed prior to project appraisal and adopted by the CBJ. The ESIA/ESMF is an integral part of POM. This Project will not involve population relocation, involuntary land acquisition and any negative impacts on livelihoods for financing by banks and micro-finance institutions. In addition, this Project will not include construction resulting in restriction to access of legally designated parks and protected areas nor any activities listed under the negative list detailed in the OM and ESMF.*

72. ***Other – Program and Donor****:* There are a large number of donors and development agencies that are working on financial inclusion in Jordan which could result in a lack of coordination. ***Risk Management:*** *The World Bank is working closely and liaising with donors who are active in the MSME sector, from the scoping stage onwards in an effort to harmonize and streamline the efforts of all institutions. A donor coordination meeting was also suggested to be held once every month (via video conference or audio) to ensure a consistent exchange of information.*

73. ***Other - Sustainability****: Sustainability* There is a risk that the credit line will not necessarily sustain improvements in access to finance given lingering deficiencies in credit information and the collateral regime. ***Risk Management:*** *The line of credit will focus on the best performing MFIs and banks as defined by scale, portfolio quality, institutional capacity and a medium- to long-term strategy which includes focusing on micro and SME lending. This approach will promote strong finance providers capable of operating efficiently on a large scale, and widen the range of loan products offered and would also encourage other providers to improve their capacity. The establishment of a credit bureau and developing the law on secured lending is being supported by*

the MSME TA Facility and will reduce the constraints on bank lending to small enterprises and improve the quality of lending, and increase the sustainability and improvements in access to finance.

74. Based on the performance of the parent project, the overall project risk for the AF has been rated as Low. The high potential impact and need for the operation justify the project and its interventions.

Procurement

75. ***Procurement under the project would be carried out in accordance with the Bank's Procurement Guidelines:*** "Guidelines: Procurement of Goods, Works, and Non-consulting services under the International Bank for Reconstruction and Development (IBRD) Loans and the International Development Association (IDA) Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014. This is an on-lending operation, where the loan is channeled through the CBJ and on-lent to MFIs and banks and then to the beneficiary MSMEs to use for number of loan types including working capital and investment loans. It is very difficult to determine the final MSME beneficiaries at this stage since they have yet to be selected by PFIs. However, information gathered from both the MFIs and banks show that they are exercising their due diligence at various stages of the process to ensure viability of the selected MSMEs, as well as adopting principles of economy, efficiency and transparency to assess the creditworthiness and eligibility of the MSMEs applying for loans under this operation.

76. ***Loans to MSMEs will be mostly used to increase their working capital, but for the limited procurement financed by this loan and undertaken by the MSMEs,*** paragraph 3.13 of the Procurement Guidelines would apply allowing the use of private sector or commercial practices. The Project Operational Manual (POM) describes the basic guiding procurement principles, the established acceptable methods allowing shopping or/and direct contracting to be followed, procedures, and commercial practices.

77. ***Based on its design, the Project will only provide loans to the beneficiary MSMEs and no Project Implementation Unit (PIU) related procurement pertaining to goods or hiring of staff is envisaged under this Project***, therefore capacity assessment for the implementing agency to carry out procurement was not required. Furthermore, a procurement plan will not be needed given the nature and design of the Project.

Financial Management (FM)

78. ***The FM risk assessment completed for the ongoing project was updated in light of the FM performance leading up to December 2014***. No additional risks were identified thus mitigation measures would remain the same. The project FM risk was assessed as "moderate", the same as the ongoing project. Mitigation measures are effectively in place that would reduce the FM risk rating to "Low".

79. ***The activities to be funded by the AF would have similar FM activities of the ongoing project.*** The loan proceeds will finance 100 percent of the credit line that is proposed to be channeled through CBJ to PFIs and MFIs, which will then on-lend the funding to MSMEs. The proposed additional financing will follow the same FM and disbursement arrangements of the parent project; mainly:

(i) Utilizing the same PIU which was re-enforced with an additional two qualified staff to accommodate the expected additional work under the additional financing.

(ii) The PIU will be responsible for ensuring that the line of credit is provided to qualified PFIs and MFIs in accordance with the eligibility criteria[7].

(iii) The PFIs and MFIs, receiving funds from the line of credit, will exercise their own due diligence with consideration to the principles of economy, efficiency, and transparency to assess the creditworthiness and eligibility of the MSMEs applying for a loan under this additional financing.

(iv) The PIU will perform regular supervision of PFIs and MFIs to ensure that sub-loans provided to MSMEs are in accordance with the eligibility criteria notified by CBJ.

(v) Disbursements would be based on Interim Unaudited Financial Reports (IFRs).

(vi) A Designated Account (DA), managed by CBJ, will be used to receive the loan proceeds and each PFI and MFI will maintain a separate sub-account to deposit and pay from the funds received from the CBJ under the Project.

(vii) IFRs will be submitted to the Bank on a quarterly basis reflecting the overall financial progress of the operation, and specifically actual disbursements to MSMEs by PFIs and MFIs.

(viii) The use of a Project Operational Manual that spells out the Project's FM requirements and eligibility criteria for PFIs and MFIs in details, including the minimum requirements for transparency, monitoring and oversight, financial reporting, and internal controls both at the CBJ and the PFIs and MFIs' level.

(ix) An independent external audit firm will annually audit the project's account in accordance with Terms of Reference acceptable to the Bank, while PFIs and MFIs' accounts will be annually audited by external auditors in accordance with CBJ regulations.

80. ***Based on the recent FM performance review conducted during the supervision mission of December 2014,*** the FM performance of the ongoing to project is rated "Satisfactory". This rating is a result of the following factors: (i) adequate FM staffing with satisfactory competency and experience; (ii) smooth flow of funds with no major interruptions; (iii) sound internal controls; (iv) availability of an OM with an adequate FM section; (v) IFRs have been consistently submitted to the Bank in a timely manner and acceptable format and content; (iv) there are no overdue audit reports (although the audit report of 2013 was not submitted on time, it was nonetheless issued with an unqualified opinion).

V. World Bank Grievance Redress

81. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project-affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

[7] Eligibility criteria for participating MFIs is included in Annex I.

Annex I –Revised Result Framework and Monitoring Indicators

Project Development Objectives

Original Project Development Objective - Parent:

The objective of the Project is to contribute to the improvement of access to finance for micro, small and medium enterprises in the Hashemite Kingdom of Jordan.

Proposed Project Development Objective - Additional Financing (AF):

No change proposed.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Direct project beneficiaries	☒	Number	Value	0.00	0.00	1500.00
				Date	23-Mar-2012	23-Mar-2015	31-Dec-2020
				Comment	MSMEs Beneficiaries		
Revised	Female beneficiaries	☒	Percentage Sub Type Supplemental	Value	0.00	0.00	35.00

Revised	Overall MSME portfolio of participating banks	☐	Percentage	Value	9.00	9.00	10.00
				Date	23-Mar-2012	23-Mar-2015	31-Dec-2020
				Comment			
Revised	Portfolio at Risk - SME	☒	Percentage	Value	5.00	5.00	4.00
				Date	23-Mar-2012	23-Mar-2015	31-Dec-2020
				Comment			
Revised	Number of jobs created by MSMEs Project Beneficiaries	☐	Number	Value	0.00	0.00	1500.00
				Date	23-Mar-2012	23-Mar-2015	31-Dec-2020
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Volume of Lending to MSMEs under the Lines of Credit	☐	Amount(USD)	Value	0.00	0.00	50.00
				Date	23-Mar-2012	23-Mar-2015	31-Dec-2020
				Comment			
Revised	Number of banks engaged in MSME lending	☐	Number	Value	0.00	0.00	6.00
				Date	23-Mar-2012	23-Mar-2015	31-Dec-2020
				Comment			

New	Number of MFIs engaged in micro enterprise lending under the line of credit	☐	Number	Value	0.00	0.00	2.00
				Date	23-Mar-2012	23-Mar-2015	31-Dec-2020
				Comment			
Revised	Number of term loans to MSMEs	☐	Number	Value	0.00	0.00	500.00
				Date	23-Mar-2012	23-Mar-2015	31-Dec-2020
				Comment			
Revised	Youth owned businesses as a percent of total businesses served by the line of credit	☐	Percentage	Value	0.00	0.00	10.00
				Date	23-Mar-2012	23-Mar-2015	31-Dec-2020
				Comment			
Revised	Enterprises in Governorates other than Amman as a percent of total businesses served by the line of credit	☐	Percentage	Value	0.00	0.00	15.00
				Date	23-Mar-2012	23-Mar-2015	31-Dec-2020
				Comment			

* Gross NPL less loan loss provision.
** For the purpose of this project, youth will be defined as those below the age of 35.
*** A term loan of more than one year maturity.

Annex II - Entities Involved in the MSME Sector Jordan

Entity	Scope of Work	Development Partners Support				
		World Bank Group	USAID	AFESD	GIZ	CGAP
MOPIC	(i) Formulates policies and procedures that are meant to enhance and develop relations with donors and international financing institutions ; (ii) provides, coordinates and manages funding for development projects from different sources through soft loans, grants and TA, and develops aid coordination mechanisms in addition to the financial management of funds directed at development programs and projects ; and (iii) works as a liaison between donors and international financing institutions, and the ministries and government institutions. Particularly with respect to MSMEs; (i) the Minister heads the MSME steering committee which ensures effective targeting, in order to cater to the underserved segments; (ii) works with several organizations including IRADA, which targeted SME with an investment size of less than JD 100,000 and offered training, support and advisory services.	***Info*Dev** are working on designing and executing an intervention focused on enabling the growth of small—but high growth potential—enterprises. This intervention will strengthen and scale entrepreneur networks and incubator-type services to link entrepreneurs to markets and appropriate finance, building financial management and marketing capabilities, and enabling product, process, and business model innovation.	***Competitiveness Grant.*** A grant of US$50 million is allocated for a forthcoming Competitiveness Program that will focus on cluster and value-chains development in three main clusters (ICT, medical services and clean technology). This program only offers partial support to SMEs active in these clusters.		GIZ is working closely on the following strategic priorities: (i) developing a unified regulatory framework through drafting specific Microfinance legislation, and developing a self-regulatory regime; (ii) promoting supportive industry infrastructure; (iii) spurring market expansion and innovation; and (iv) ensuring sustainable funding for the Microfinance sector.	CGAP supported MOPIC in developing the first Microfinance National Strategy. Diagnostic works, these put forward recommendations on means of improving the microfinance regulatory framework in Jordan.

CBJ	(i) Provides an environment conducive to the development of the SME sector; (ii) strengthens the financial institutional infrastructure; (iii) improves the banks' financial intermediation and enhances its accuracy by licensing new entities such as the credit bureau; (iv) enhances the capacity of banks to enable them to increase their share of lending to the MSME segment through adopting more advanced transaction-lending techniques; (v) licenses new bank branches in Governorates that were underserved to reach out to the marginalized segment of enterprises; and, (vi) issues instruction such as that of "Treating Customers Fairly Instructions", which enhances consumer protection.	***Enhancing Governance and Strengthening the Regulatory and Institutional Framework for MSME Development Project Transition Fund*** Component II focuses on providing a supervisory and complaint resolution structure to support a reliable and strong consumer protection system and promote financial literacy in Jordan. Component III aims at developing the regulatory and institutional framework for MFIs and NBFIs by supporting policy and regulatory reforms, such as the Microfinance regulation. ***World Bank-IFC MSME Regional TA Facility*** (a multi-donor Trust Fund): This provides advisory services to financial institutions that serve MSMEs to attain a more inclusive system, specifically providing capacity building to banks' CEOs with a focus on risk management and strengthening the corporate governance of banks. Efforts of which are directed towards fostering home-grown country-led reforms, which will ensure sustainability, ownership, as well as capacity building of public entities. ***MSME Development for Inclusive Growth Loan*** which contributes and supports the improvement of access to finance for MSMEs in Jordan. This loan has also supported several MFIs including MicroFund for Women, FINCA, Tamweelcom and the National Microfinance by broadening their outreach.	***US Overseas Private Investment Corporation (OPIC) Guarantee.*** Setting up a US$250 million partial credit guarantee fund. This Guarantee is being administered by CHF under the name of the Jordan Loan Guarantee Facility.	AFESD Support amounting to US$ 150 million along with EBRD's support amounting to US$ 150 million, will be used to compliment, scale up and support the existing WBG ***MSME Development for Inclusive Growth Loan***, which aims at increasing financial access to MSMEs	GIZ is providing direct technical support to CBJ in developing the regulatory framework for Microfinance.	CGAP has been providing advisory services to the CBJ on their "Treating Customers Fairly Instructions", which were issued on October 31, 2012.
JLGC	(i) Provides domestic loan guarantees; and (ii) develops new products tailored to the SME sector such as their new Islamic product,	***Enhancing Governance and Strengthening the Regulatory and Institutional Framework for MSME Development Project***				

	where there is a co-investment guaranteed by JLGC through a *Kafala*-contract.	***Transition Fund*** Component I focuses on strengthening credit guarantee schemes through the JLGC, in order to expand its outreach and impact and increase its SME-related products. ***World Bank-IFC MSME Regional TA Facility*** supporting JLGC in progressing in areas of market research, risk management and business and MSME product development.	
JEDCO	(i) Provides TA and financial support (grants) to SMEs, exporters and entrepreneurs. For start-ups, JEDCO has a network of incubators that provide up to US$21,000 in grant financing to SMEs; (ii) For SMEs, they have had two successful TA programs: the Jordan Upgrading and Modernization Program (JUMP), for industrial sector support, and the Jordan Services Modernization Program (JSMP); and (iii) Provide support to exporters by assisting in developing an export development plan, export coaching, financing travel to trade shows, and providing grant funding. Assistance is provided through initiatives directed at financing for SMEs: a) the Venture Capital Program, for which JEDCO is in the process of procuring a fund manager, b) the Banking Window Program, in which they are partnering with the JLGC, c) implements the Kaizen Project, which works with SMEs with up to 250 employees, and trains them in the Kaizen methodology. On the policy side, JEDCO is researching the tax policy for NBFIs and the environment for SME financing	***World Bank-IFC MSME Regional TA Facility*** providing advice to JEDCO on the proposed MSME Strategy for Jordan ***Enhancing Governance and Strengthening the Regulatory and Institutional Framework for MSME Development Project Transition Fund***, aims at setting-up and providing capacity building for Business Development Units to be established in the different governorates, thus catering to the underserved segments. This also aids JEDCO in broadening their base and compliments their efforts in providing start-up seed grants of JD 15,000 to startups in underserved Governorates.	***MSME Grant*** of US$50 million for the provision to MSMEs. TA focuses on facilitating the OPIC guarantee. A portion will be provided to JEDCO as grants for SMEs to invest in energy efficiency and design work, as well as other innovative activities. Another portion will be in TA for SMEs to become more credit worthy (helping them develop financial statements, business plans and loan proposals.

DEF	(i) Provides both direct lending to micro-enterprises as well as indirect lending through existing MFIs and community organizations (social funds); (ii) Provides vocational training and business development services to micro-enterprises; and (iii) They have large branch coverage, and partner with national organization including the National Information Technology Centre (Knowledge Stations-KSs), the National Aid Fund (NAF), the Queen Rania Al-Abdullah Association for the Welfare of Military Personnel and their Families, and the Civil Service Bureau.		Under the Arab World MSME Facility, US$30 million were allocated to be on-lent through the DEF over a three-year period in equal annual tranches of US$10 million. Half of the fund will be lent directly through DEF to micro-enterprises, while the other half will be on-lent to other partner MFIs.
BDC	(i) Promotes entrepreneurship and innovation; (ii) manages, promotes and stimulates the creation of public-private partnerships; (iii) enhances the competitiveness, sustainability and export capabilities of SME, in addition to fostering financial linkages between SMEs and financial resources; (iv) designs and manages programs for development and donor agencies. This entity has provided a Partner in Business-In-Development (BiD) Network offering coaching and mentorship on the business planning process to start-up entrepreneurs and existing SMEs. Furthermore, It offers a 'Global Financial Bridge Training Program' that helps SMEs to make financial statements and interpret their financial needs as well as better present themselves to financial institutions.		

NAFES	Assists Jordanian Small and Medium enterprises (SMSs) to become more efficient and competitive both locally and internationally by providing financial assistance to management modernization, in addition to financial training programs projects aimed at improving their performance and capabilities. It plays a significant role in enabling SME to access affordable competency building services. This organization; (i) provides subsidies to cover up to 80% of the counselling and training fees paid to qualified local consulting organizations, such as BDC. (ii) works with other entities such as the Higher Council For Science and Technology to also provide funding to cover consultancy costs.	

Annex III – Eligibility Criteria for Participating Microfinance Institutions (MFIs)

For any Jordanian MFI to benefit from CBJ loans under this Project, it has to fulfill the following criteria:

- Validity of its official registration.
- Inclusion of 'microfinance' in the services/activities.
- If they were involved in micro lending in the past, PAR>30 days over the last year of operation has not passed the six percent limit.
- Has at least two years of externally audited financial statements.
- Has good potential to grow including market potential.
- Must submit audited annual financial statements from a CPA firm acceptable to CBJ and certified by the Jordan Association of Public Accountants prior to receiving the loan.
- Has an updated business plan for at least the coming two years.
- Female borrowers account for at least 50 percent of their beneficiaries.
- Have a minimum B in a GIRAFE rating done by CBJ staff (Tier 1 or 2), or the potential to achieve this rating within 2 years based on high ratings on systems, risk management and governance (Tier 3).

Terms and Conditions of Participation Agreement (between CBJ and the MFIs)

1. CBJ will provide funds for intermediary MFIs with a particular focus on women, youth and underserved Governorates. The funds will be used to finance both existing micro-enterprises and borrowers, as well as to reach out to new underserved populations through innovative financial products designed to address key access hurdles.

2. MFIs will provide CBJ with quarterly reports (financial and technical) with information on portfolio outreach and performance. The CBJ additionally has the right to review all the financial documents related to the project including the budgets, profits, losses and cash flows, to verify this information.

3. CBJ will undertake regular audits of the project disbursements to the MFIs, approximately three times during the contract duration - the first after the contract signature and receiving the first loan tranche, the second mid -way through the project and the third before disbursing the last loan tranche.