Final Report

Access to Agricultural Finance in Jordan

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Contents

Abbreviations and Acronyms

	Definition
EKN	Embassy of the Kingdom of the Netherlands
A2F	Access to Finance
ACC	Agricultural Credit Corporation
CBJ	Central Bank of Jordan
CBI	Centre for the Promotion of Imports from developing countries
CBO	Community Based Organization
CRIF	The Jordan Credit Bureau
DoS	Department of Statistics
DEF	Development and Employment Fund
DFS	Digital Finance Services
FI	Financial Institution
GoJ	Government of Jordan
GoN	Government of the Netherlands
GDF	Governorate Development Fund
GDP	Gross Domestic Product
JCB	Jordan Commercial Bank
JLGC	Jordan Loan Guarantee Company
JOD	Jordanian Dinar
KYC	Know Your Customer
MFI	Micro Finance Institution
PSF	Postal Savings Fund
MCF	Military Credit Fund
MoITS	Ministry of Industry, Trade and Supply
MM	Mobile Money (MM)
NFIS	National Financial Inclusion Strategy
NGO	Non-Governmental Organization

NPL	Non-Performing Loan
PSP	Payment Service Provider
SLG	Saving and Loans Groups
SME	Small and Medium-sized enterprise
TA	Technical Assistance

Executive Summary

Background

Jordan's agriculture sector and the performance of its small farmers are characterized by overproduction of many of the prevalently grown crops and low farm-gate prices. The majority of Jordan's 107,000 agricultural holdings are owned by small farmers with estimated modest annual incomes of 2.000 to 5.000 JOD.Over the last eight years the regional political situation has strongly affected Jordan's economic performance in general, and the marketing dynamics within the agriculture sector in specific. Small farmers have become even more vulnerable as their crops now compete with previously exported crops produced by medium and large-scale farmers.

In 2018, the Government of the Netherlands selected Jordan as a focus country and subsequently committed to support Jordan over the next four years (2019-2022). In the coming years the Netherlands strives to explore and design interventions for small and therefore usually vulnerable farmers that enable them to sustainably enter or maintain their position in the value chain and gain access to domestic markets. RVO -The Netherlands Enterprise Agency- as part of the Netherlands Ministry of Foreign Affairs has commissioned Palladium to develop an advisory piece with recommendations towards facilitating access to suitable financial services for smallholder farmers to improve their livelihoods and break the cycle of indebtedness. The Netherlands Embassy in Amman has been a key partner in the realization of this study.

Main observations

The Palladium research team visited Jordan in October 2019, and hosted roundtables in Amman and the Netherlands to collect and validate the collected information. To advise on sustainable change, this research applied a holistic diagnostic methodology, involving not only farmers but also value chain participants (such as suppliers and traders) and value chain influencers (such as the Government of Jordan and the donor community).

Abbreviations

ACC – Agriculture credit corporation
CBJ – Central Bank of Jordan
CBO – Community-based Organisation
DFS – Digital Financial Services
GoJ - Government of Jordan
GoN - Government of the Netherlands
MFI – Microfinance institution
SLG – Savings and Loans Group

The study yields ten key observations on small farmers and their access to finance in Jordan. The table below introduces these observations, each of which consists of observed gaps with recommended measures to mitigate their negative impact.

TABLE 1: KEY GAPS AND RELATED POTENTIAL MEASURES

	Observed gap	Potential measures
Gap 1	**Cycle of indebtedness** needs to be neutralized before small farmers should be venturing into scaling up and out.	Promotion of saving and payment products as a way out of indebtedness and/or enable future investments.
Gap 2	Most small farmers do not have a **bookkeeping system** in place that helps them to understand their business model, planning and related financial needs. In addition, their lack of financial records hinders showing their current income and expenditures to financial service providers to enable them to assess their loan application.	Enable proper business planning by keeping records of financial transactions. This requires financial literacy support.
		Increase awareness of farmers of different (digital) financial products to enable them to access relevant payment and saving services.
		Prove farmers' business case to financial service providers by transacting via a bank account or mobile wallet will increase chances of successful

		loan application and allows for financial products that go beyond collateral based lending.
Gap 3	Often the **business case** for farmers is weak as volumes are only reached via the central markets where prices are often too low to cover costs.	Strengthen the business case for farmers by improving the efficiency of the current local market system and by increasing value addition.
Gap 4	**Access to credit** should not be a goal in itself and is only desirable if it is likely to result in increased income. This requires a positive business case as farmers are otherwise only further indebted and makes them more vulnerable.	Ensure there is a business case before offering credit and look at the key risks and how these can be mitigated.
Gap 5	Mobile payment and account services are not widely used due to lack of trust, limited (ease of) accessibility and limited financial literacy.	Improve the accessibility of digital financial service and ensure that the needs of farmers are adequately met. In the rural areas this preferably incorporates existing social structures such as SLGs, CBOs and Islamic finance providers.
Gap 6	Small farmers with a healthy business case have limited access to financial services. **Collateral requirements and interest rates** are high. Financial Institutions lack capacity to develop and manage suitable agricultural loans.	Develop credit products whereby repayments are tailored to the cash flow of the agricultural sector and involve wider value chain partners. Existing informal credit arrangements with input suppliers and traders are an interesting entry point. The same holds for IFAD's collaboration with some banks and MFIs.
Gap 7	There is no **registration** is in place for farmers with the Ministry of Agriculture. No information is available either on costs, productivity and prices which could assist banks to get more information to assess loan applications.	Register farmers with the Ministry of Agriculture to enable tailored interventions and gain access to better information on costs, productivity and prices.
Gap 8	The current **market system** for agricultural produce is inefficient. The GoN's CBI and the GoJ are looking into market information initiatives with a focus on export markets.	Market information systems focusing on local markets will be beneficial for smallholder farmers who sell their produce on local markets.
Gap 9	The Credit Reference Bureau mostly has information from banks and selected MFIs. ACC, traders and input suppliers are main credit providers to the agricultural sector but are not included.	CBJ and CREF to find a way to also register (bad) debts of other credit providers such as ACC and input suppliers.
Gap 10	The CBJ has funding available at low interest rates for lending to the agricultural sector. However, no mechanisms are in place to favour smaller ticket sizes and to deal with higher risk of the agricultural sector. The Jordan Loan Guarantee Company does not guarantee agricultural loans.	CBJ as part of its financial inclusion agenda to look how it can put in place incentives to encourage smaller ticket sizes to enable banks and MFIs to reach smaller sized farmers (directly or indirectly) as well as into mechanisms to deal with the additional risk of the agricultural sector and smaller loan sizes.

General recommendations

Risk and the lack of measures to manage this risk are the key factors that underlie many of the current challenges in agri-financing for farmers in Jordan. Based on our observations, we foresee a three-step approach to develop the agri-finance landscape in Jordan:

- **First, small farmers' business cases need to be strengthened** – with access to markets being the main bottleneck. Their average financial performance tends to be sub-optimal, and farm investments in any way are not recommended until the key challenge of lacking markets resulting in low farm gate prices is dealt with.
- **Second, patient investments in designing and deploying financial services that make farmers more resilient are required, starting with saving & payment services**. A conscious and informed decision on whether and when to introduce credit services is needed. Farmers need to be able to map and prove their business case using payment and saving services.
- **Third, a risk sharing financing methodology and related mechanism(s) should be developed, involving multiple or all value chain actors benefitting from agricultural production**. In Jordan, the agro-dealers and buyers already participate in risk-sharing practices by providing informal input credits or advance payments. However, the lack of a regulated environment with suitable financial products and limited financial feasibility of farmers' current business case hinders financial performance.

The application of a holistic approach that focuses on access to markets, access to finance and capacity building is required for sustainable improvement of small farmers' livelihoods using financial services. The recommended specific activities for subsistence farmers and smallholder farmers in each of these categories are listed in the table below.

TABLE 2: ADVISED SOLUTIONS FOR FARMERS IN GENERAL

	Subsistence Farmers with potential to scale up	**Small Farmers**
Capacity Building	- Build the business case (crops, production systems) - Financial literacy	- Build the business case (crops, production systems) - Training in bookkeeping - Training in business planning
Access to Markets	- Establish links with commercial markets as well as agro-processors to build long term relationships which are mutually beneficial - Support (starting) agro-processors to add value to agricultural produce and source from farmers.	- Secure markets (contract farming, agro-processors, commercial markets, digital platform) - Support (starting) agro-processors to add value to agricultural produce and source from farmers.
Access to Finance	- Promotion of saving products as a way out of indebtedness and/or enable future investments - Further strengthen the linkages between informal and formal financial service providers (e.g. CBOs and SLGs with banks and DFS providers).	- Increase linkages to payment and savings services - Relevant credit products to be offered by banks & MFIs with manage price & market risk: - involvement of buyers of produce - tripartite agreements for input credit or leasing production or addition equipment - Other mechanisms to keep costs of lending for farmers low such as availing cheap funds for on-lending especially for smaller loan sizes. - Guarantees

More concretely we recommend the EKN to start 3 pilots that integrate the three areas listed above and are based on three key strategies to improve the access to markets for farmers by using i) innovative digital solutions, ii) the large volume players that are key to reach scale and iii) initiatives focusing on value addition. The table below provides more details on the proposed pilot interventions.

TABLE 1: PILOT-BASED PRIVATE SECTOR DEVELOPMENT MODEL

	Pilot 1: Digital	Pilot 2: Volume	Pilot 3: Value addition
Title	Digital marketplace connecting small farmers to local buyers	Consensus approach to facilitate volume-based sales via a Central Market-based buyer	Aggregation and value addition role for local SME(s)
Support	• *Capacity building (CB) digital marketplace service provider* • CB farmers on agronomic, digital and financial skills • Build partnership with payment and savings providers • CB FI's on loan product design	• *Dialogue facilitation to create understanding and find win-win around Central Market* • CB FI's on loan product design • CB farmers on agronomic and financial skills • Promotion of savings and digital payments	• *CB on sourcing, processing & markets for SME(s)* • CB FI's on loan product design • CB farmers on agronomic and financial skills. • Promotion of savings and digital payments
Crop	Fruit & Vegetables	Fruit & Vegetables	Herbs

Apart from these interventions there are also several other challenges in the eco-system where targeted interventions could make a big difference. We list those who are not part of the table above:

- Currently farmers are not registered. This hinders targeted interventions for farmers.
- There are several inefficiencies in the way the local market is organized and it will be beneficial to make local markets more transparent. It will be good to further explore and promote the market information initiative of the EKN with the GoJ and CBI with attention for the local market.
- Facilitation of community-based farmer group cooperation (rather than financial/legal structures) is going to be very important: it will enable farmers to engage in aggregation & price negotiation based on trust and existing relations.
- It is currently difficult to assess the business case of farms as there is no crop specific information available on productivity, prices and costs. Such a system would enable farmers to benchmark their performance and would contribute to a further professionalization of farms. Furthermore it will facilitate loan assessments as it will provide financial service providers with a more independent assessment of the key assumptions of the business model.
- Leverage ongoing trends in digital financial services and savings products for MFIs.
- Credit Reference Bureau (CREF) to include input suppliers and Agricultural Credit Cooperation to enable a full picture of outstanding credit and prevent further indebtedness of farmers.
- CBJ as part of its financial inclusion agenda to look how it can put in place incentives to encourage smaller ticket sizes to enable banks and MFIs to reach smaller sized farmers (directly or indirectly) as well as into mechanisms to deal with the additional risk of the agricultural sector and smaller loan sizes.
- There is need to increase the capacity and willingness of the Jordan Loan Guarantee Company (JLGC) or a new financial vehicle to offer smaller agricultural loan guarantees. This will facilitate cashflow lending and decrease the dependence on collaterals. For sustainability reasons and

considering the capacity of local institutions, it is recommended to work through JLGC and improve their offering.

Chapter 1: Introduction

1.1 Background

Many Jordanian farmers, input suppliers and service providers are indeed struggling to keep their businesses afloat. Agriculture production is characterized by low farm-gate prices and overproduction of many of the prevalently grown crops like tomatoes. Over the last eight years the regional political situation has strongly affected Jordan's economic performance in general, and in the market dynamics within the agriculture sector in specific. The borders with Syria and Iraq have been closed for most of the past years, and agricultural exports to these countries but also the Gulf region and Turkey decreased significantly. Small farmers have become even more vulnerable as their crops now have to compete with previously exported crops produced by medium and large-scale farmers. For many of these small farmers, their current income does not adequately cover their production costs. They are struggling to make the investments required for next year's crop, which pulls them further in a cycle of indebtedness.

In July 2019, around 1500 farmers joined a protest in front of the Prime Ministry to express concern about their precarious financial situation and the perceived lack of government support to this end. The Government of Jordan has been trying to calm down the situation but did not yet come forward with a solution. The Minister of Agriculture calls for action from development partners to support these farmers[1].

1.2 Objective

Small farmers in Jordan experience many challenges in their attempts to earn a decent income for themselves and their families. Looking at the current situation from a socio-economic point of view, two main challenges can be identified. Access to Markets is a key requirement for building a farmer's business case. Access to Finance is a second facilitator. Financial services such as payment-, savings- and lending services can facilitate farmers' business performance. However, the concrete set of service products is trumped in importance by understanding the right conditions for accessing these financial services. At this moment, very few small farmers can make the right decision on which type of financial services to use – and moreover, when *not* to make use of lending services. Both financial service providers and farmers themselves need to understand the key variables that determine a farmer's business case and what are healthy financial services that match that situation. Only then, access to finance can be applied as a sustainable growth driver.

On the demand side, this study provides pointers on the value chain actors with potential to drive development and the focus-areas where most new value can be created to ultimately improve the ability of small farmers to sustainable use financial services in whatever form most suitable to their situation. The study also sheds light on the supply-side: the availability, relevance, and effectiveness of financial products in Jordan as well as on the sustainability of the institutions providing them. In addition, the study yields recommendations towards facilitating access to suitable financial services for small farmers that can improve their livelihoods and break the cycle of indebtedness. To ensure sustainable change a holistic diagnostic is performed, assessing not only farmers but also value chain participants (such as suppliers and traders) and value chain influencers (such as the Government of Jordan and the donor community).

[1] Jordan Times, 'Farmers suspend protest upon promise talks to meet demands, July 15 (2019), https://www.jordantimes.com/news/local/farmers-suspend-protest-upon-promise-talks-meet-demands

1.3 Netherlands Embassy in Jordan

The Netherlands Enterprise Agency as part of the Netherlands Ministry of Foreign Affairs has commissioned this study. The Netherlands Embassy in Amman has been a key partner in the realization of it. The Government of the Netherlands (GoN) represented by the Embassy of the Kingdom of the Netherlands in Amman (EKN) supports Jordan to deal with the economic and social impact that the regional turmoil has had on this country, such as the influx of more than a million refugees and the loss of former export markets. Last year, GoN selected Jordan as a focus country and subsequently committed to support Jordan over the coming 4 years (2019-2022). It is expected that support will continue after 2022 as well.

In the coming years the Netherlands strives to explore and design interventions for small and therefore usually vulnerable farmers that enable them to sustainably enter or maintain their position in the value chain and gain access to domestic markets. A significant portion of the support will be allocated to the agriculture sector, with a strong focus on horticulture. The horticulture sector has been prioritized for interventions because of its potential to contribute to economic growth and employment generation for Jordanian host communities and Syrian refugees

Chapter 2: Research methodology

The research methodology for this study consists of three main activities: i) an extensive review of existing documentation, ii) primary data collection by means of Key Informant Interviews and iii) two validation workshops in the Netherlands and Jordan. Our research team visited Jordan in October 2019 for in-country data collection. Our local consultant continued additional data collection before and after this visit.

TABLE 2: SUMMARY OF RESEARCH ACTIVITIES

Phase	Corresponding chapter	Research methodology
Phase 1: Research set-up	**Chapter 2 & 3:** Research methodology & Best Practices in Agri-Finance	- Inception meeting with client to validate research design and objectives - Extensive desk research of global, regional and Jordan-specific background documents - Formulating hypotheses on Good Case Practices that might work in Jordan
Phase 2: Understanding the demand-side	**Chapter 4:** Small farmers' profile	- Extensive desk research of Jordan-specific background documents - Key Informant Interviews with 10 value chain actors including inputs & equipment providers and traders - Key Informant Interviews with 13 farmers, mixing open field & greenhouse production systems and a variety of commodities

Phase 3: Understanding the supply-side	**Chapter 5:** Agri-financial landscape	- Extensive desk research of Jordan-specific background documents
		- Key Informant Interviews with 17 value chain influencers
		  o 3 Microfinance Institutions (MFIs) and 1 MFI network organization
		  o 3 Fintech & innovation actors
		  o 4 Development partners incl consultancies
		  o 4 Commercial Banks and Islamic banks
		  o Government bodies and sector organizations

Phase 4: Identifying the gaps	**Chapter 6a:** Gap analysis	- Validation of draft gap findings and testing of proposed solution during in-country data collection - Validation workshop of gap findings in the Netherlands, with a range of Dutch financial and development actors
Phase 5: Advising EKN accordingly	**Chapter 6b:** Action plan	- Debriefing and validation meeting with Embassy of the Kingdom of the Netherlands (EKN) after field visit - Key Informant Interviews with 4 Netherlands financial institutions - Presentation and validation of final report to EKN

The research methodology and corresponding reporting outlines are structured following a value chain approach. Farmers in Jordan's agricultural value chains are strongly interconnected with their suppliers and buyers, with product- and cashflows connecting all parts of the value chain. As such, an understanding the performance factors and the current performance of all actors in the value chain is required to be able to advice on strengthening the position of small farmers. The table below details the research indicators assessed per type of interviewee.

TABLE 3: RESEARCH STRUCTURE AND VARIABLES

	Observations	Underlying reasons
Farmers and agri-enterprises	• Cashflow analysis of expenses and income, margin division • Current use of formal and informal financial services such as payment-, savings-, and credit-services (channels, value, attribution, timing, repayment performance) • Perceptions of suitability of financial offer • Awareness of the financial services available • Financial literacy and business skills levels	• Farmer's understanding of their own financial needs for business optimization (value, attribution, timing) • Farmer's understanding of a financial product match for those needs • Farmer's characteristics to enable match (collateral, savings, business plan, financial planning, credit history, business registration). • Suitability of current business models (potential leverage from value chain linkages)
Finance and Financial Service Providers in Jordan	• Ticket size and value of (agri-) finance on offer • Characteristics of finance on offer (working capital/equipment financing, equity financing, tenure, grace periods, interest) • Collateral requirements • Other requirements, e.g. business registration, business plans, credit history • Risk management strategies (now and future)	• Strategic interest in the client base • Understanding of the client base needs • Understanding of spectrum of suitable financial solutions to match these needs • Regulatory limitations
Enabling environment in Jordan	• Key policies and regulatory frameworks in place, trends, national level opportunities and challenges • Ongoing and planned development initiatives and possible leverage points • Perception of required financial and non-financial services (and gap) • Envisioned way forward • Strategic interest in the target group (underlying development goals) • Understanding of the target group's needs • Available spectrum of suitable financial solutions to match these needs • Regulatory limitations	
Relevant support/donor organisations (International and Dutch actors)	• Ongoing and planned development initiatives and possible leverage points • Perception of required financial and non-financial services (and gap) • Envisioned way forward • Strategic interest in the target group (underlying development goals) • Understanding of the target group's needs (demand side) • Available spectrum of suitable financial solutions to match these needs • Regulatory limitations • Observations on non-financial needs, potential gap, linkage with finance gap/needs for agriculture sector development	

This study is built on a wide variety of existing studies and the data points that were made available. Our additional primary data collection serves to provide a preliminary farmer profile based on exemplary evidence.

The main research limitation for this study is the lack of country-wide, reliable data. Although there is data available at the national Department of Statistics (DoS), data on numbers of farmers and their characteristics such as average land size, main crops grown and land ownership are not considered to be completely accurate. There is also very limited quantitative information available on farmers' financial performance, including cashflow analyses and the characteristics of their savings-, payment- and lending behaviour. In addition, most financial service providers do not analyse their portfolio to the level of small farmers and their utilization & financial performance.

Chapter 3: International best practices

The topic of agricultural transformation has a central place in the global dialogue on private sector-led economic development. The paradigm on sustainable agricultural value chains and the facilitating role of access to financial services is constantly evolving. We believe that Sustainable Access to Finance depends on **risk management** and on **long-term market opportunities** for both farmers and financial service providers. Below we introduce a selection of international best practices that can be relevant in the Jordan contact too. Most of these refer to lending services.

- **Farmer cash flow analysis** should be at the heart of financial product design. When exploring where value can be added within value chains, understanding farmers' current business cases and their ability to re-invest earnings or access sustainable credit products is key. Additionally, in our experience it is important to be able to demonstrate how much a farmer needs to produce and at what yields in order to escape poverty. If a value chain doesn't offer the farmer a pathway out of poverty, it's not viable for investments.
- The risks of serving smallholders usually gets much attention; while it can be argued that the real challenge is the **cost of serving remote populations** with low transaction values. Financial service providers can use different methodologies to reach financial sustainability when financing smallholders:
  - Scale: Product offering becomes profitable after reaching a certain level of scale
  - Cross-subsidizing: Offering additional financial services (e.g., savings, insurance, payments) to cross-subsidize the cost of smallholder lending
  - Long-term subsidies: Subsidizing the cost of products with support from external organizations (e.g., government, donors)
  - Shared costs: Offering bundled or related services in partnership with other organizations and sharing costs of service delivery (e.g. financial institutions and agribusinesses)
  - Unit economics: Products offered to a select group of farmers at high margins, enough for it to be profitable at low scale

Enda, the leading Microfinance Institution in Tunisia, has pioneered financial education efforts with 30,000 clients using videos accessible in their branches and via mobile channels. As a result, 80% of clients improved their savings by 50% and they attracted 70,000 new clients as of early 2018.

- **Digital innovations can strengthen the linkages between value chain actors and value chain influencers in at least two ways:**
  - *Farmers:* Using modern communication technology overcomes distance and information bottlenecks. It allows for managing risks at the farm and household level as well as bundling of financial services with nonfinancial services to address the multiple constraints faced by most small farmers.
  - *Financial service providers*: Digital financial technology such as credit assessment automation and distant monitoring can lower the cost of service and – most important – financing mechanisms to spread risk beyond particular localities.

Jordanian start-up Ghoorcom offers a digital marketplace connecting 2500 farmers and retailers. It provides alternative market access outside of the Central Market system. Ghoorcom is exploring options to include Mobile Money payment options.

- **Anchoring of agri-microfinance on social performance management is often crucial for the success of agri-microfinance products.** One specific example of this is the integration of the client protection principles into MFI's policies and procedures. For example, appropriate product design and avoiding over-indebtedness through thorough loan assessment and providing financial education.
- **Tailored capacity building** is crucial to meet quality requirements and also to facilitate frequent communication and relationship building. It increases supply of agricultural produce as well as

loan performance. Technical Assistance (TA) facilities are a strong tool to increase customer loyalty and increase general loan performance and utilization of non-credit financial services such as digital payment and saving solutions.

- **Loan products need to be tailored** to specific agriculture commodities and their growth cycle. In addition, financial products should differ for production, start-up and expansion as the latter two usually require longer term for repayment. In other markets the option of (partially) flexible repayments and conditional overdrafts suited farmers' financial reality well.
- Sustainable agri-lending benefits from **innovations to enhance credit repayment** throughout a value chain. This can range from ensuring credit is used for the intended purpose and results in increased productivity, to ensuring the farmer will sell to the intended buyer and can sell for a fair price that allows repayment. This includes out-grower schemes and warehouse receipt schemes. Also (partial) finance through traders/service providers may be an option.
- **Risk sharing among actors** that benefit from a crop being produced is key in financing working capital needs – with a focus on input packages. Effective risk management can ease the concerns of financial service providers providing services to farmers. Formalized tri-partite contracts between input- and equipment dealers, off takers and farmers are a proven and effective risk management approach that facilitating offering suitable financial services. For example, invoice discounting is a very suitable product to finance working capital for aggregation and leasing or 'rent to own' equipment.
- The poorest farmers in the bottom of the pyramid are usually unbanked and frequently supported with grants. In order to reach this group effectively, **existing community structures** such as Community Based Organizations or Savings and Credit Cooperatives can be utilized. These usually bring in an extensive local network and strong understanding of the local reality.
- **Islamic Finance** provides an effective mechanism to facilitate Agricultural, Irrigation, Livestock, Micro & Rural financing products. Its asset based financing and other features averse the diversion of cash funds for other purposes. Islamic financial institutions are used to working on the base of an agency fee. Their products are based on setting up effective contracts between farmers/consumer and suppliers. Islamic Finance has specialized financial solutions for each segment of rural poverty and builds its model on a more natural repayment plan based on an investment's profitability.

zanaco

Zambia's Zanaco Bank launched a risk-sharing agricultural loan product with a range of input suppliers and Zambia National Farmers' Union as main distribution channel. This product, combining input financing and agricultural insurance, reached more than 16,000 small farmers.

Chapter 4 Farmer's profile and challenges

4.1 Introduction to the agriculture sector in Jordan

Sector volume and value. The average agricultural value added to the Jordanian economy during 2011-2016 is estimated to be USD$ 785 million per year and agriculture accounts for just 4% of Gross Domestic Product (GDP)[2]. 40% of that agricultural GDP is generated by crop production and the remaining 60% by livestock. The average agricultural value added and its share in GDP in Jordan during the last five years (2011-2016) has increased by 40 and 24 percent, respectively when compared to the respective average values during 2000-2010. The additional (indirect) contribution of agriculture to the GDP is 26 to 28% when also taking into account all related chain activities. Agriculture activities clearly act as a catalyst for the creation of value and employment in several related sectors in the rural regions such as rural services, transport, communication, education and tourism (hospitality)[3].

Income & Employment. With rural poverty rates of 17 percent in Jordan, increasing agricultural growth could play a critical role in poverty reduction. As illustrated in the table to the right, the average yearly income of households in rural areas is about 9,000 JOD[4]. At the moment, agriculture is the main source of income for about 15% of the population and employs about 6% of the workforce[5]. Unpaid family labor accounts for 77% of all labor in rain-fed areas, but only 22% of labor in irrigated areas[6]. Due to socio-cultural values, women have low participation levels in agricultural activities and employment in general. There are about 107,000 agricultural holdings in Jordan[7]. The 2017 agricultural census indicated that the main purpose of production for 35% of the agricultural holdings (38,065) are intended for sale, while the remaining 65% (69,642) were intended for household consumption. Most of the fruit and vegetables farms are small and are not always registered. The number of registered agricultural companies in 2017 reached 816 companies, of which none are small farmers[8].

Volume & Yield. The Hashemite Kingdom of Jordan has two dedicated agricultural production centres: the Highlands with mostly rain-fed field and forestry crops; and the Jordan Valley, with a high dependence on irrigation for farming. Only about 5-6% of Jordan's land is arable, and the area fit for cultivation in Jordan is decreasing due to expansion of construction, and limited water resources. Yet, agricultural production in Jordan has experienced tremendous growth due to the expansion of irrigation, plastic houses, and hybrid varieties of crops. The positive increase in land productivity (yield) resulted in larger agricultural production volume during 2011-2015 than in the 1960s when the agricultural areal was a lot bigger. The table to the right introduces the main crops grown in Jordan in 2011-2015. According to the most recent statistics of the national Department of Statistics, the total area of crops is around 2.75 million dunums (275,000 ha), of which 1.35 million dunums (135,000 ha) fruit and vegetables. The main fruits produced in

Average 2011-2015	**Area (ha)**	**Metric tonnes**
Cereals	53,200	89,664
Citrus Fruit	6,622	105,453
Fruits excl. melons	22,552	306,921
Oil crops	62,180	32,714
Pulses	3,334	4,146
Vegetables	41,721	1,691,362
Roots and Tubers	5,502	168,059

[2] FAOSTAT
[3] World Bank Group, The role of food and agriculture for job creation and poverty reduction in Jordan and Lebanon - Agricultural Sector Note (P166455), 2018
[4] Department of Statistics, Jordan Statistical Yearbook 2016
[5] Jordanian Ministry of Labour, Sector Studies 2018
[6] EU, Assessment of the Agricultural Sector in Jordan, 15 April 2012
[7] Jordan Bureau of Statistics, Agriculture Census, 2017
[8] Idem

Jordan are citrus, olives, stone fruit (peach, nectarine, plum, apricot), dates, apples, grapes, figs and bananas. The main vegetables produced in Jordan are tomato, cucumber and eggplant, followed by potato, cabbage, squash, cauliflower, hot pepper, sweet pepper, broad beans, string beans, peas, Jews mallow, water melon and onion. The horticulture sector can be roughly divided into export-oriented value chains and domestic value chains. Vegetable and fruit exports represented 38% and 15% respectively of Jordan's national production, this is now significantly lower. Export crops tend to be grown by larger scale farmers. Crops for local markets mostly include vegetables, cereals and oil crops grown by small to medium scale farmers.

Opportunities & Challenges. Opportunities for Jordan's agriculture sector continue to be the high potential for year-round and varied production, its geographical location, potential for efficient transport and a literate and business-oriented population. The sector is generally characterized by challenges including limited arable lands, lack of water for irrigation and lack of proper post-harvest management. Lack of agronomic skills is not necessarily a problem. Regional turmoil has resulted in the borders with Syria and Iraq having been either partially or completely closed for the last eight years.

Markets & Finance. In recent years the landscape of farmers and traders, as well as their relationships, has changed dramatically. Exports have strongly decreased as road transport to the wider region has been hampered. With exporters turning to national sales, the competition for small and medium farmers has increased. There is a current overproduction of many crops due to a lack of markets, which is lowering market prices. The domestic market in Jordan, especially for high-quality products, is expected to grow in terms of quantity and quality. This is driven by the growing population and rising per capita incomes[9].

Over 90 percent of farmers sell directly to wholesalers working on a commission basis, sometimes through a middleman / agent. The work of the commissioners concentrates at the central wholesale market in Amman or any of the seven municipality wholesale markets. The remaining deals are direct deals with clients like retailers or restaurants. The change in export market dynamic has affected the performance of the agriculture sector in Jordan. Earnings from export markets have largely dried up, and sales to domestic markets are not significant enough to provide a good source of income for all large, medium and small-scale farmers serving the same market.

Processing. Food processing occurs in both rural and urban settings, and has a high level of women participation. Major areas include pickling of fruits & vegetables and processing spices & herbs[10]. The 2015 census conducted by the national Department of Statistics found that "the food processing sector is made up of over 4,000 business establishments. Most of these businesses are small enterprises, and only 4% with turnover [of] JOD 500,000."[11] Most processors process items in their homes as registered MSEs or in cooperative production kitchens. Larger processors either produce their own products or source items from registered factories, at which point they label their own brand to sell either nationally or for export. Exporters also employ this business model, with some modifying items to meet target markets.

[9] Bureau Leeters for the Netherlands Embassy in Amman, Export Value Chain Analysis – FFV, 2017
[10] USAID/LENS Access to Finance (A2F) Purchase Order Finance Market Research in Jordan, June 2018
[11] MEDA, RFP, Food Processing Interventions in Jordan Valley https://www.meda.org/food-processing-interventions-in-jordan-valley

4.2 Farmer definitions

The agricultural landscape in Jordan consists of a diverse mixture of farmers and farming activities ranging from smallholder vegetable patches to large scale date plantations. The table below provides a description of four main types of farmers– a categorization that mainly hinges on farmers' income and investment capacity. Each description is linked to a set of high-potential financial services. After an in-depth assessment of Jordanian small farmers as well as the supply-side landscape, the final chapters of this report will conclude on the current status and/or pathway to integrating these high-potential services into the daily reality of these farmers.

The definitions in table 3 are a variation on the official MSME definitions of the Government of Jordan, as the financial performance of individual farmers requires customized parameters compared to non-agriculture enterprises.

Official GoJ definitions

- Medium Enterprises: up to 100 employees and up to 3 million JOD in assets or turnover
- Small Enterprises: 5- 20 employees and up to 1 million JOD in assets or turnover
- Micro Enterprises: up to 4 employees and 100,000 JOD in sales or turnover

TABLE 4: FOUR TYPES OF FARMERS AND THEIR PROFILE

	Description	Potentially suitable financial services
Large farmers	Large scale farmers with an income over 500,000 JOD who are bankable and can afford investments in advanced production technology such as irrigation systems and greenhouses. Usually exporting to regional and global high-end markets.	• Bank Account / Mobile Money account to receive payments • Bank Account / Mobile Money account to make payments to employees / contract farmers / suppliers • Credit for inputs • Crop finance • Credit for investments to expand acreage / improve production methods / storage and processing facilities
Medium farmers	Medium scale farmers have an income up to 500,000 JOD and generally are bankable. They are either supplying to local markets or exporters.	• Bank Account / Mobile Money account to receive payments and save money to purchase inputs • Credit for inputs (from input suppliers or buyers (e.g. contract farming) • Crop finance (warehouse receipt system) • Equipment (through leasing or pay as you go solutions) to improve production methods / storage and processing facilities
Small farmers	Annual turnover up to 100,000 JOD Family business Relatively high literacy Limited bookkeeping and business plans in place, Up to 10 employees, Sell to local market without formal contract.	• Bank Account to receive payments and save money to purchase inputs • Mobile Money account to receive payments and save money to purchase inputs • Credit for inputs (from input suppliers or buyers (e.g. contract farming) • Crop finance (warehouse receipt system) • Equipment (through leasing or pay as you go solutions) to improve production methods / storage and processing facilities
Subsistence farmers	Family business Less than 10 dunam of land (1ha) Low and volatile income	• Bank Account to receive payments and save money to purchase inputs • Mobile Money account to receive payments and save money to purchase inputs

	Produce for household consumption only – No significant income from sales to commercial markets Very limited investment capacity, some have potential to scale up.

The Government of the Netherlands has indicated to be specifically interested in the horticulture sector and supporting small farmers and subsistence farmers with the potential to scale their commercial sales in the near future (transforming them into small farmers). Therefore, the following pages present a more detailed profile of small farmers only. However, Chapter 5 maps the financial landscape including financial products and services offered to farmers in general. This also includes medium- and large-scale farmers.

4.3 Small farmers' profile

In order to design and implement suitable interventions to support farmers in Jordan with access to finance we need to understand the fabric they are made off. This mostly comes down to farmers' income -*sources, timing, volatility*- and their ability to manage production- and price risks. To this end, the table below introduces a profile of small farmers in Jordan. This information sets the stage for Chapter 6's recommendations on suitable financial services and interventions.

TABLE 5: SMALL FARMERS' PROFILE

	Value	Additional information
Small and high-potential subsistence farmers		
1) Size of land holding	The average size of a small farm is 3 ha[12]	However, average farm sizes differ hugely between geographical areas and not all acreage is developed.
2) Land ownership	Many smallholders' lands are rented (standard rent or share-cropping)[13] . No exact figures available.	Most smallholders do not own land and are unwilling to make long-term investments on the land they cultivate as tenant farmers. Most of Jordan consists of state or treasury land. Land ownership or leasing is only allowed for Jordanian nationals. Social restrictions on women's land inheritance and barriers to land ownership remain and have particularly adverse effects on poor women. The GoJ does not permit land ownership of less than three hectares – consequently, the small farmers that own land generally have between three to five hectares.[14]
3) Crops	Vegetables and herbs (mostly annual) and fruit trees (perennial) such as citrus, dates and stone fruit[15]	Small farmers have limited earning potential in terms of scale, which requires careful (high-margin) crop selection. Expanding or setting up plantation style production system (almost all fruits) is more challenging for smallholders due to the high upfront investment costs and longer time to first income.
4) Production systems	Greenhouses (vegetables), open field (fruit plantations and vegetables)	Greenhouse production on the same plot size as open field production generally has a higher yield and/or more continuous output.

[12] Department of Statistics of Jordan, Agriculture census (2017)
[13] USAID LandLinks, Jordan Country Profile
[14] USAID, Jordan AgBEE Snapshot: Snapshot of the Business Enabling Environment for Agriculture, 2012
[15] Netherlands Enterprise Agency, Export Value Chain Analysis Fruit and Vegetables Jordan, 2016

5)	**Employees**	0 – 5 employees	The small farmers interviewed have up to 5 employees plus additional seasonal workers.
6)	**Average income**	8.000 -20.000 JOD [16], likely more towards the lower end of the scale	Average farmer income is very difficult to calculate due to widely differing internal and external variables. Many of the interviewed small and medium size farmers indicate to now either break even or make 20% loss to a maximum 10% profit. 43% of farmers selling to commercial markets have other income streams.
7)	**Alternative income streams**	43% of farmers selling to commercial markets have other income streams[17]	Some farmers or their family members have an additional government or army income or earn income from other types of employment or small scale trade of their fresh produce. Government entity Agriculture Credit Corporation (ACC) retrieves 90% of their loan repayments from these income streams rather than farm profits.
8)	**Seasonality of income**	1-12 months per year depending on production system and crop	Active harvest months – and therefore income- range from 1-3 month per year in open field production (fruit and vegetables) up to 12 months a year for greenhouse production (vegetables).
9)	**Contracts and markets**	Low	Small farmers often agree on informal supply agreements with Central Market buyers for the majority of their produce (about 70%). Farmers can sell a small share of their produce directly to consumers (up to 10%) for better prices but lower volume of sales.
10)	**Transactions**	Mostly cash-based	The vast majority of transactions by small farmers is cash based by preference of the farmers themselves. ○ Central market: cash in hand and 10 days credit period ○ Export markets: cash in hand but brokerage fees apply, price is fixed and 10 days credit ○ Input suppliers: informal credit, 6 months credit period
11)	**Cash/credit payments**	About 90% of farmers buys at least part of their inputs on credit	The informal credit system for suppliers is based on a 10%, sometimes even 20%, discount for cash payers. This is technically 11.1% interest for clients who buy on credit. The 10% of farmers that pays cash are ususally larger scale, quite profitable buyers (usually exporters, e.g. dates).
12)	**Timing of expenditures**	The majority of farming expenditures is due right after harvest as a result of the dominance of informal credit structures	Production seasons differ per geographical location, crop and production season. Inputs (seed, fertilizers, pesticides) are due at the first months of the production season but are usually taken out on credit and paid back after harvest. Water is required throughout active production periods of 3 months (open field in colder areas) up to 12 months (in greenhouses). The bulk of labour costs centre around planting and harvesting and are paid in cash on the spot.

[16] This research formally considers small farmers with a turnover of up to 100,000 JOD and average income of 20% of turnover so 20,000 JOD. Following the Government of Jordan's definitions, as indicated by the Jordan Enterprise Development Corporation (JEDCO).
[17] Department of Statistics of Jordan, Agriculture census (2017)

13) Business Registration	Almost none	Almost no small farmers have registered their farms at the Ministry of Trade and Industry or the Ministry of Agriculture. They consider it a burden and are afraid that they will have to start paying taxes.
14) (Financial) literacy	High literacy, low financial literacy	Relative high literacy (reading and writing). Low financial literacy on financial business planning and awareness of suitable financial services (payments, savings, credit) to match financial business planning needs.
15) Bank account	Almost none	Farmers usually do not have a bank account and have low interest registering for one. Most transactions and savings are cash-based.
16) Bookkeeping	Very limited	Although farmers do have a general understanding of their income and expenses, they usually do not have a (semi-)formal bookkeeping system. They are generally not aware of their exact income (profit), average production costs per year and crop, potential financing costs, share or volume of earnings re-invested in the farm.
17) Cooperatives	Existing but limited functionality	Some small farmers are members of cooperatives. These tend to be troubled in terms of management and effective operations, and are generally not used for bulk input purchase, pooling of transport cost or aggregated marketing efforts.

Small farmers' incomes range between 2.000 and 20.000 JOD per year, with the vast majority leaning toward the lower end of the scale. Most of the farmers interviewed as part of this study report to currently make a small loss or break-even on farm income. The remainder reports on average profits up to 20% of turnover. Small farmers' ability to investment in farm-expenses and in particular slightly larger scale capital investments is therefore limited.

Production costs are quite high but not unreasonable in light of wider Jordanian economic price levels and performance. The same holds for retail prices. In comparison to the retail prices and production costs, farmers' farm-gate prices are low. This directly relates to the fact that small farmers lack the means and organization to aggregate produce and serve buyers directly. With often multiple layers of middlemen between farmers and buyers – most notably the Central Market- the division of margins along the value chain is usually not in favor of the farmer. The bulk of margins are made at the level of traders, service providers and processors.

Key determinants for improved farmer profitability include i) direct links with exporters that cut out one or all of the middlemen, ii) production capacity in winter season or all year-round using greenhouses, iii) ability to deliver large volumes – either single-handedly or using aggregation services and iv) the production of high margin or niche products such as high quality cherry tomatoes or fresh herbs.

4.4 Main challenges faced by farmers

The main challenges faced by farmers in Jordan are summarized in the following table. Each challenge is linked to an observed opportunity that can potentially be utilized to mitigate the impact of the challenge on farmers' performance.

TABLE 6: DEMAND SIDE CHALLENGES AND OPPORTUNITIES

Topic	Sub-topic	Challenge	Opportunity
1. Government policy & regulations 	**Informal businesses**	The agriculture sector is mostly unregulated, and most farmers are not required to be registered. This limits the understanding and practical ease of supporting horticulture farmers on government and development partners' level. Farmers perceive registration of their business as a risk: without an incentive for farmers, the fear of government control and taxation is holding them back.	The Ministry of Agriculture does have a registration option for livestock farmers. Such system could be utilized for registering horticulture farmers and support potential centralized interventions. There is need for a mentality or awareness change in this regard.
	No smallholder focused policies	There is lack of agriculture policies that serve farmers at the Ministry of Agriculture level. The government's current focus and efforts are on poverty alleviation, food security and social stability rather than market strategies and sustainable economic development.	The ongoing cooperation and dialogue between international partners and the GoJ on this topic should steer and inform new program development.
	Little to no financial support	There are few, if any, sources of government-subsidised financing to farmers to support entrepreneurial activities and market formation for agri/horticultural goods.	Facilitate the design and implementation of financing and credit mechanisms to support entrepreneurial activity and market formation in the agriculture sector.
2. Farmer capacity & information 	**Low business accounting**	Most farmers do not keep basic accounts.	Keeping accounts can support the transition towards cashflow lending and should be promoted as part of general financial literacy but also farm management training efforts.
	No risk management tools	Information systems for production and price risk management such as for collecting and distributing weather, climate and market/price data throughout the value chain are largely absent from the sector.	Potential to leverage the ongoing efforts to set up an agricultural market information system by the Netherlands Government and MinAgri.
	Low innovation and low productivity	Limited resilience against weather hazards, like drought. Traditional farming behaviour and lack of farmer's awareness of the latest technological development and best practices in agriculture. Adopting a new technology in agriculture is perceived costly and would require a source of financing. CSA has many forms and shapes and can be suitable for both larger famers (e.g. hydroponic systems) and small farmers (resilient crops, conservation farming).	The on-going access to information by farmers on best farming practices and proven success stories would help in shifting this sort of behaviour. Sustainable access to financial services should include a recognition of the importance of Climate Smart Agriculture.

3. Business modelling 	**Lack of inclusive business models**	Lack of farmer inclusive business models run by successful aggregators/traders/processors.	One of the ideas under exploration by the Netherlands Ministry of Foreign Affairs' Inclusive Green Growth (IGG) department is to see how small farmers – perhaps with IFAD support – can produce for organizations like the World Food Program (WFP) who prefer to source locally.
	High production costs	Across the value chain, vulnerable farmers are encountering issues of high input supply costs of seeds, water, fertilizers and crop protection means.	Many development partners, including the USAID, GIZ and the Netherlands Embassy have made water management and other issues a priority. This can be leveraged.
	High processing costs	Limited post-harvest handling -such as grading, sorting, storage- is taking place by smallholders. Specific challenges include the high costs of post-harvest handling and a shortage in refrigerator trucks.	Under the Government of the Netherlands-funded HAED-JO program post-harvest interventions are being planned to facilitate access for small farmers to quality post-harvest facilities.
4. Markets 	**Access to local markets**	Even after reopening the border crossing between Jordan and Syria in October 2018, exports dropped by 70% in the first quarter of this year. This led to national overproduction which in turn lowers the prices in the local market and puts many smaller farmers in a position where they not able to pay back the credits they contracted with their suppliers and/or middlemen/traders.	Natural market development with some support to re-focus large and medium scale farmers toward exports can take the pressure of national markets.
	Lack of contract farming and crop coordination	Most sales transactions result from informal business linkages without formal contracts. In addition, farmers grow crops without coordination amongst each other, which causes overproduction of some crops and a drop in prices leading to heavy losses.	Market interventions focusing on different market structures and contracting models can be piloted on a small scale to select the most effective transaction models. Digital communication and payment channels can be utilized to this end and have the option of bringing together seller and buyer while cutting out one or multiple middle-men.
	Middlemen limit earning potential smallholders	The commissioners sell the produce on behalf of small farmers in the wholesale markets while paying a lower price to the farmer than the selling price; this makes the position of small vulnerable farmers in the value chain weak. Large growers sell their products to wholesalers and exporters and in some cases directly to importers.	
5. Access to finance 	**Limited access to financial services**	As a result of the high production & market risk resulting in volatile, generally low income and limited savings or collateral, farmers have very limited access to suitable financial services. In the absence of accessible formal financial instruments, small farmers resort to obtaining informal credit from traders and suppliers.	A focus on non-financial factors such as marketing and improved quantity, quality and consistency will improve farmers' business cases and facilitate access to formal financial services.

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Chapter 5: Agricultural finance in Jordan

5.1 Financial Services used by farmers

When looking into agricultural finance, it is important to consider the full range of financial services including payment services, saving services, lending and insurance. Using bank accounts or digital wallets to save money assists farmers in getting a better understanding of their financial situation and builds the relationship with financial service providers. Furthermore, a good capacity to save is an indicator for the capacity to repay loans. Especially when targeting survivalist farmers, the focus on non-credit products is crucial as there is otherwise the risk that instead of helping the farmers, they are further indebted.

Below we list the different financial services that are relevant and/or currently used by Jordanian farmers and mention some relevant initiatives. The next section will describe the different players in more detail.

Payment & saving services

Cash. The vast majority of all transactions by farmers takes place in cash. Farmers pay in cash for their farming expenses, either directly or after harvesting and selling crops. In turn, they also receive payment for their crops in cash. Buyers usually provide a formal warehouse receipt and payment slip. In some cases, supply agreements result in part of the agreed value being paid directly into the bank account of input or equipment suppliers.

Bank accounts. Only some of the larger smallholders or smallholders with additional sources of (mostly formal) employment income have a bank account. Bank accounts are primarily used to transfer salaries and withdraw cash. Farmers mostly rely on over-the-counter transactions through exchange houses for local remittances. Interviewed farmers indicated limited interest in having a bank account as 'cash in hand' is preferred.

Savings. There are no exact figures for agriculture households available, but most interviewed farmers save small amounts up to 500 JOD in cash. Many indicated that the limited cash flows of their farms do not allow for substantial savings. They mostly use informal channels such as family or friends-based saving groups or saving with a trusted person in the wider social network[18]. Agriculture households are usually not formal account holders, which often relates to the relatively high minimum balance to open the account[19]. Only commercial banks can take deposits, microfinance institutions (MFI's) cannot.

Some farmers save with more or less formal Saving and Loans Groups (SLGs). These provide their members with a safe place for depositing their money. Members receive training on group formation, group rules and regulations, and savings and lending practices. Members save on a weekly basis and in some cases on monthly basis into a group fund. Contributions are usually small and range around a few tens of JOD to slightly higher amounts. These savings may or may not be connected to a group lending scheme.

- 19.3% of lower-income households -of which many are farmers- has an account with a financial institution (GIZ & CBJ, 2017)
- The rate of savings with a financial institution increased from 3.8% in 2014 to 9.3% in 2017 (GIZ & CBJ, 2017)
- 13.1% of households has an informal savings account at an SLG, cooperatives of social network (GIZ & CBJ, 2017)

Saving and therefore investment capacity is very dependent on farmers' business case. With improved incomes, savings at semi-formal and formal institutions becomes more feasible. Building

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18 Interviews with a varied sample of 15 small farmers (<100 dunams)
19 CBJ / GIZ Financial Inclusion Diagnostic Study, 2017

awareness on the use of mobile wallets (currently only at 1% use amongst the entire population) might be an interesting way to introduce a savings service at scale.

Digital financial services. Though the use of digital financial services in Jordan is increasing, the general uptake is still low (see Section 5.2 for more information). General awareness amongst farmers of digital payment solutions is low, and many farmers prefer cash transactions. In addition, there is need to increase the user case and agent network coverage in rural areas to improve the services in this field. Programs targeting farmers and other people in rural areas are being designed and are likely to increase the uptake of digital financial services by farmers.

Insurance. At the moment there is no agricultural insurance available to small farmers in Jordan. The Ministry of Agriculture is currently in the process of establishing its own cooperative insurance company in collaboration with the private sector in Jordan. The insurance policy will protect farmers in cases of natural disasters; like frost, floods, heatwaves and snow, or against loss of revenue if prices of their crops decline. The Ministry of Agriculture will be subsidizing 70% of the premium insurance amount, while farmers will be settling the remaining 30% of the premium.

Grants: Grant-funding on the level of individual farmers is not very prevalent due to an absence of agriculture policies (and related government budgets) targeting smallholders. The key provider of grants at this moment is IFAD under the REGEP program, with the Jordan River Valley Authority as implementing partner. They are serving farmers at the bottom of the pyramid that are not eligible for a loan from a financial service provider and have never borrowed before. The program provides these beneficiaries with groups grants up to 4500 USD and individual grants up to 1500 USD for value chain upgrading and business model innovation purposes.

Non-financial services. Both banks and MFIs offer no or limited financial service training or technical assistance to their clients. Some microfinance borrowers mentioned that they had received basic financial literacy training, but this was not on a regular basis.

Lending services

Informal credit. In the absence of accessible formal financial instruments small farmers resort to obtaining informal credit. The majority of agricultural credit in the form of delayed payments to input or equipment suppliers and (mostly input-earmarked) credit provisions as a type of advance payment by buyers and commissions. In addition, the loans made available by Saving and Loans Groups (SLGs) can also be utilized for agricultural purposes. The SLG's tontine principle, locally known as jamaaya, is a mechanism for raising funds and then disbursing them to participants on a rotating basis. This allows the savers to access not only their own funds but the funds of other group members for business investment or household needs. Some farmers have access to credit products from revolving funds made available via Community Based Organizations (CBOs) that operate within a specific local community.

Formal credit. There are no formal figures available for small farmers as part of the entire population, but in 2017 only 5.6% of the total group of lower-income earnings borrowed from a formal lending institution[20]. When it comes to formal credit, farmers are mainly served by MFI's. Different credit products for different purposes are available. Many rural farmers strongly prefer Islamic products due to religious inhibitions on interest. Islamic banks are offering all types of Islamic financing instruments that have a great demand from small farmers who require flexible repayments and low financing costs.

The table on the next page provides an overview of the most important credit products used by the farmers.

[20] GIZ & CBJ, Financial Inclusion Study (2017). Lower-income earners are defined as those in the lower 40% of the sample by reported income.

Women. In general, women in Jordan tend to be less included in the formal financial system. They make less use of formal accounts for saving and payments. In addition, use of digital financial services is lower amongst women compared to men. This gender gap has several main reasons. Lower exposure to information about good financial practices and financial services available in their locality results in lower awareness on payment, saving and lending opportunities. In addition, women tend to have less control over their income or decision-making authority. Families headed by women tend to have fewer economic assets than households headed by men. Furthermore, only 44 per cent of female headed households own agricultural land in contrast to 68 per cent of male headed households[21], making them less likely to meet formal collateral requirements for credit. However, at 12% vs 8% women do have a higher borrowing rate than men. This is mostly the result of the high volume of micro-loans handled by MFI's, who focus on serving rural and/or poor households, youth and women in specific.

[21] IFAD, Addressing rural poverty, accessed via https://www.ifad.org/en/web/knowledge/publication/asset/39429882

TABLE 7: OVERVIEW OF MOST USED CREDIT PRODUCTS BY FARMERS

	Loan size	Tenure	Security	Interest	Utilization rate
Agricultural Credit Corporation (ACC)	<10.000 JOD	2-10 years	Government salaries, land rights	0-5%	+-25% of farmers per year.
Islamic International Arab Bank and Jordan Commercial Bank (IFAD credit line)	<50,000 JOD	Up to 5 years	Land, personal guarantees	Preferential Murabaha return of 2.5%	Not known
(Murabaha product) Islamic International Arab Bank, Safwa Islamic Bank, Jordan Islamic Bank, Ethmar	1000-10M JOD	Up to 5 years	Land, personal guarantees	8.5-9.5%	Not known
(IJARA product) Islamic International Arab Bank, Safwa Islamic Bank, Jordan Islamic Bank.	4500-10M JOD	Up to 8 years		8.5-9.5%	Not known
FINCA Jordan[22]	300-40.000 JOD	1 year with 5-6 months grace period	Personal guarantees	tbc	Not known
MFI's generic lending products	400-1,000 JOD	Up to 2 years	Land, personal guarantees	24-36%	Not known
Savings and Lending Groups (SLGs) loans	20-200 JOD	12-18 months	None	None (Islamic finance) up to 5%	+-30% of farmers are member
Community Based Organizations (CBOs) revolving loans	200-1000 JOD	12-18 months	None	5-10% service rate	Not known
Input and equipment suppliers	<20.000 JOD	3-9 months	Usually none, or post-dated cheques	10%-20% discount for cash payments	Almost all farmers
Commissioners (Central Market)	1000-50.000 JOD	3-9 months	Cheques, banknotes or any mortgages	0% (though 10-20% discount for cash payments)	Almost all farmers

[22] Using a loan of JOD250K from Jordan Kuwait Bank to benefit from IFAD funding.

5.2 The Financial Sector

The financial sector in Jordan comprises of a range of formal, semi-formal and informal financial institutions and service providers. According to the Central Bank of Jordan, the financial sector represents about 20% of GDP, with commercial banks holding the lion's share of the industry in terms of value and MFI's dominating in terms of the volume of transactions. The table below gives a more detailed description of the three types of financial sector actors and their different characteristics[23].

	Formal Sector	Semi-formal Sector	Informal Sector
Description	Entities that provide financial products and services to commercial and individual customers, incl. commercial and Islamic banks, micro-finance institutions and various specialized financial institutions.	Legally registered entities that are prescribing financial solutions to clients that are not subject to Central Bank of Jordan's laws and regulations, incl. NGO's, CBO's and SLGs	Intermediaries -either individuals or companies - that are not licensed to extend credit nor regulated by the monetary authorities e.g. commissioners, suppliers and money lenders.
Registration & regulation	These FI's are properly registered, licensed, and supervised by the monetary authority (Central Bank of Jordan- CBJ).	Entities are formally registered and supervised by the Ministry of Industry, Trade and Supply (MoITS). Credit activities are often group based.	These companies are registered with MoITS. Their credit operations are not regulated and supervised by any authority.
Clients	Target market clients of this sector are a combination of medium to large corporate farmers.	Target market clients of this sector are households and survivalist and small farmers.	The target market clients of this sector are all types of farmers: micro, small, medium and large farmers.
	Key sector regulators and facilitators		
Central Bank of Jordan	The sector's oversight is in hands of the Central Bank of Jordan, who acts as the main regulator and is tasked with maintaining monetary and financial stability. CBJ also has a goal of promoting the sustained economic growth and social development in Jordan and there is a specialized unit within CBJ that functions as a wholesale lending facility for banks and MFIs.		
The Jordan Credit Bureau (CRIF)	CRIF is a private-owned credit bureau that aims to boost lending to small and medium-sized enterprises (SMEs). All the 26 banks and so far 4 MFIs are now affiliated. Efforts are underway by the CBJ to ensure all financial sector players, including payment service providers in the Kingdom become part of CRIF as soon as possible. The latter could leverage the data from CRIF to develop credit products for their customers. Zain Telecom signed an agreement with CRIF in September 2019 to this end.		
Jordan Loan Guarantee Company (JLGC)	JLGC guarantees loans for SMEs that have 5 to 250 employees working in the industrial and services sector, which includes food processing activities. The fund does not guarantee agriculture production. Data from 2015 places the JLGC portfolio at 67.8 million, with loans to more than 3,500 borrowers.		

[23] Part of table input is based on Mercy Corps WIT's Financial Needs Assessment (2019)

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In 2017, the Government of Jordan and Central Bank of Jordan (CBJ) launched the National Financial Inclusion Strategy (NFIS) for 2018-2020. This strategy aims to increase the level of financial inclusion from 33.1% in 2017 to 41.5% by 2020. In addition, the NFIS strategy aims to reduce the gender gap from 53% to 35% by 2020. Within the NFIS, the Central Bank has identified a key role for the MFI's when it comes to the financial inclusion of farmers and agriculture enterprises in general. They require all licensed MFI's to adopt an action plan and strategy for developing and diversifying targeted microfinance products and services for rural areas and the agriculture sector throughout the year 2020. The NFIS itself does not have a detailed action plan for serving the agriculture sector.

The core pillars of the NFIS government program are:

- Export development in finance sector
- Improvements in finance
- Increase investments
- Better and improved tax system
- Collaboration with development partners
- Digital solutions

The table below gives an introductory overview of the relevant actors in the financial sector in Jordan. All of these are described in more detail in the sections below.

TABLE 8: SUMMARY OF KEY ACTORS IN THE FINANCIAL LANDSCAPE

Type	Number	Typology of client base
Commercial banks	21	Banks lend almost 33% of their deposits to the private sector. Generally, this goes to the larger, well-established firms with maturities of less than a year for more than 70% of the loans. None of the traditional commercial banks are currently lending to small farmers. Jordan Commercial Bank, Safwa and El Etihad bank indicated interest in exploring agri-lending.
Islamic banks	4	There are four dedicated Islamic banks in the country. The total assets of these four banks was JOD 7.69 billion or 17% of Jordan's total banking sector assets. Islamic International Arab Bank, Jordan Ahli Bank and Jordan Islamic Bank are lending to agri-companies but not to small farmers.
Microfinance Companies	9 (+20)	While growing rapidly over the past 5 years the microfinance sector remains small with around only 462595 active borrowers (Q2, 2019) (72% are estimated to be women) and a total credit portfolio of around JOD 251 million. The sector is characterised by very low NPL levels – less than 1.6% of total loan portfolio. The largest MFIs have relatively robust internal controls, internal audit functions and risk control procedures and have benefited from increased donor financed inflows into the sector. Ethmar (Islamic) and NMB (traditional) are amongst the most active agri-lenders.
Leasing companies	32	32 companies, of which eight are subsidiaries of banks, are involved in financial leasing activities in Jordan. These companies mainly grant finance leasing to the real estate sector (70% of the leasing portfolio). The main leasing for retail sector is for purpose of purchasing houses and cars. Minimal leasing is granted to the ag sector. Some equipment dealers offer payment schemes for tractors and other equipment – but rarely to small farmers.

Type	#	Typology of client base
Exchange houses	140 (256 branches)	Exchange houses make up largest group of non-bank financial institutions in Jordan. They play a central role in domestic (cash-to-cash, cash-in and cash-out services for Payment Service Providers) and cross border remittances. They are licensed by CBJ to practice money exchange under the money exchange business law.
Payment Service Providers (PSPs)	5 + 1 launching soon	Payment transactions through the system for the year 2018 reached 1,587,193 movements with a total value of 75.9 million JOD, compared with transactions of 157,529 transactions with a total 6.4 million JOD in 2017. There is no information available on the number of farmers using DFS. There are no active digital payment or savings schemes dedicated to farmers – apart from digital agriculture marketplace Ghoorcom exploring mobile payment options to the 200 farmers in its database.
Insurance companies	24	There are 24 insurance companies in Jordan, mostly focused on medical insurance. there are no parties offering agricultural insurance at the moment.
Government agencies	5	The five main public financing agencies are the Agricultural Credit Corporation (ACC), the Development and Employment Fund (DEF), the Military Credit Fund (MCF), the Postal Savings Fund (PSF) and the Governorate Development Fund (GDF). These institutions tend to offer much lower interest rates than MFIs but have relatively slow processing times and sometimes must ration credit due to funding limitations. ACC is the key agri-finance provider providing over 7000 loans to farmers per year. The other agencies rarely work with subsistence and small farmers.
Local microcredit and savings schemes	A few thousand	Informal micro credit institutions include Community Based Organization (CBOs) and Saving and Loans Groups (SLGs). • Community Based Organizations operate within a single local community, often established through donor and/or government initiatives. CBOs are considered strong influencers in the local community. Most CBOs prefer and offer Islamic financing. • Saving and Loans Groups are self-managed groups that do not receive any external funding. They provide their members with a safe place to save their money, access loans, and give them training on group formation, group rules and regulations, and savings and lending practices.
Informal lenders	200+	The bulk of credit for farmers comes from the informal sector in the form of lending by commissioners, suppliers and input suppliers. Estimated cashflows of commissioners and suppliers add up to around JOD 2 Billion according to the Amman Municipality (GAM) data. The traders, commissioners and input suppliers' 'services' are simple and easy to access, trusted and flexible to repayments. Unequal power balances are cited as an issue and the system also knows many inefficiencies.

5.2.1 Banks

Banks are the main source of funding for both the public and private sector and have a capital adequacy ratio of 19% which is well above the prudential requirement of 12%. Total assets are over 170% of GDP and banks have comfortable liquidity with an average ratio of 138.1%, which is also well in excess of the regulatory minimum of 100%. There are thirteen (13) local commercial banks in Jordan, Three (3) Islamic local banks, eight (8) foreign conventional banks and one (1) Islamic foreign bank The banking sector in Jordan remains highly concentrated with the three largest banks (Arab Bank, The Housing Bank for Trade & Finance, and Jordan Islamic Bank) holding over 43% of the JOD 46,448 million assets in the banking sector. The sector is also predominantly domestic in its ownership and orientation, and controls over 75% of all the banking assets. International commercial banks play a relatively smaller role in the provision of finance in Jordan.

Traditional banks only provide low-risk capital. Almost all loans require collateral and cashflow-based lending is not actively used. Banks only offer very limited business support to their clients: little to no training is provided.

The total credit portfolio of the licensed banks in Jordan was JOD 26.1 billion in 2018[24]. Whilst the agricultural sector contributes to 4% of the GDP in Jordan, only 1.3% of these loans are provided to the agriculture sector (JOD 337 Million). These concern almost exclusively larger capital expenditure loans for processing and hardly anything for agriculture production. Banks focus on financing medium and large scale corporate registered agriculture companies that are able to provide sufficient collateral. None of the commercial banks is very actively servicing small farmers at the moment. Small farmers are rarely interested nor eligible for commercial banks' loan products and related conditions & requirements. Well established farmers can sometimes take out a loan on a personal title.

The biggest agri-lending banks at this moment Jordan Ahli Bank, Islamic International Arab Bank, Arab Bank, and Jordan Kuwait Bank. In addition, Jordan Commercial Bank (JCB) received an IFAD subsidized loan from IFAD for on-lending to agri-clients and was successful in financing USD 0.6 Million this year from IFAD loans. The bank also signed an agreement to lend some money to one of the small and medium financing companies that will utilize its experience to finance farmers and end-borrowers in rural areas.

The table below provides an overview of the total credit facilities by the banking sector as well as the value and share of credit facilities assigned to the agricultural sector.

TABLE 9: TOTAL CREDIT FACILITIES BY BANKS AND THE SHARE OF AGRICULTURAL SECTOR[25]

Year	Total Credit facilities by the Banking Sector (Billion JOD)	Credit Facilities to the Agricultural Sector (Million JOD)	Percentage Share (%)
2014	19.274	243.3	1.26
2015	21.104	217.1	1.03
2016	22.906	304.5	1.32
2017	24.737	337.3	1.36
2018	26.10	337.0	1.29

[24] CBJ Annual Report, 2017 and CBJ Statistics for 2018.

[25] Idem

5.2.2 Islamic Finance

There are four dedicated Islamic banks in the country – they include the Jordan Islamic Bank for Finance and Investment, Safwa Islamic Bank, the Islamic International Arab Bank and Al Rajhi Bank. Islamic or Sharia based financing is still relatively small with Islamic banks and MFIs controlling JOD 7.69 billion or around 17% of total bank assets. Demand for sharia compliant loans – in particular in rural areas- is high though and not all customers can be served at the moment. The Central Bank of Jordan is increasingly interested in expanding Islamic finance now that it has developed its regulatory capacity to supervise Islamic banking and MFI activities. However, Islamic finance needs to be further mainstreamed in Jordan if it is going to deliver on its potential to support rural finance.

Murabaha products are used in many Islamic banks in Jordan and suited for farmers given that there is no diversion of funds to use outside the business, full transparency of charges and they enable the famer to repay when they have concluded a transaction rather than having to pay interest before cash is realised from a transaction. The Islamic Banks in Jordan use the Murabaha financing as they feel it is the most Islamic mode of financing acceptable for them and their clients. Having said that, there are other modes of financing that are suitable for agri-lending at Islamic Banks, most notably Ijara, Muzara'a, Musharakah and Salam:

- Ijarah is a contract whereby the owner of an asset, other than consumables, transfers its usufruct (right to use a property) to another person for an agreed period for an agreed consideration. In the agri sector, the instrument of Ijarah can be used for almost all types of machinery and equipment financing needs like tube-wells, tractors, building and land financing, etc.
- Muzara'a (sharecropping) is partnership in crops in which one party presents land to another for cultivation and maintenance in consideration for a common defined share in the crop.
- For any farm mechanization financing or construction and acquisition of physical assets, the bank and/or MFIs can provide Musharakah partnership financing that meet the goals of the rural finance and the local communities in terms of Shariah complaint financing. This allows the Islamic bank and/or MFIs to divest from this financing at a later stage and allow the owner to have full ownership of the physical asset at the end of Musharakah.
- As for Salam product, the farmers, particularly the small farmers' need funds to finance cropping/harvesting activities like purchase of seeds, fertilizers, pesticides, diesel, labor etc. This is a type of sale with immediate payment for deferred delivery of the goods sold. The Islamic bank or MFIs makes immediate payment of the funds to the farmer, who promises to deliver to the Islamic bank a specified commodity available in the market after a specified and agreed on period of time

5.2.3 The Microfinance Sector

Microfinance institutions target underserved people who usually don't have access to regular financial services (commercial banks). They offer a variety of financial and non-financial services, and work in different product segments. The microfinance sector has seen considerable growth – there are currently 10 MFIs registered and licensed by the Central Bank of Jordan, two of which are Sharia compliant (Ethmar and Namouthajiyah for Islamic Microfinance). 9 of them are members of the industry body, Tanmeyah, and include: UNRWA, VITAS, Tamweelcom, Microfund for Women, National Microfinance Bank, FINCA, Ahli Microfinance Company, Al Ameen Microfinance Company and Ethmar for Islamic Microfinance.

The branch networks of the registered MFIs – 199 branches in total – are relatively well distributed throughout the country. There is less concentration of branches around Amman with 32% of MFI branches located in the capital compared to over 60% for bank branches.

MFI's performance has seen a steady growth and increased outreach in the past few years regardless of many challenges. The table below introduces the characteristics and general performance of the MFI sector. The Microfinance Association Tanmeyah reports that lending to the agricultural sector across the aggregated portfolios is only about 1%.

TABLE 10: MFI INDUSTRY PERFORMANCE[26]

Performance	Q2 2018	Q2 2019	Growth
Active Borrowers	448748	462595	3%
Active loans	424775	434590	2%
Total Gross Loan Portfolio (JOD Million)	250	251	1%
Average Outstanding Loan Sizes (JOD)	588	578	-2%
Women Borrowers	75%	72%	-3%
Number of Branches	195	199	2%
Par > 30	1.6%	2.4%	0.2%

The microfinance sector plays a vital role in realizing financial inclusion through improving financial access for the vast numbers of unbanked, financially underserved and excluded people, primarily women and the low-income segment. These target groups can become productive income generators, which would contribute to reduced socio-economic inequalities. Yet, the microfinance sector is struggling to deliver products that meet the needs of the rural and agricultural sector with adequate levels of cashflow finance and longer-term investment finance at tenor levels and rates of interest that are affordable to them. Many MFIs have stated that they have no active interest in agriculture lending. Others, such as NMB, FINCA and Ethmar have expressed interest in serving smallholders but indicate that they would like technical assistance in developing a suitable agri-lending strategy and matching products to ensure an acceptable risk profile. Others, such as VITAS, do have specialized agri-lending products but no longer actively offer them due to performance challenges.

5.2.4 Agricultural Credit Cooperation

The Agricultural Credit Corporation is a government-owned lending institution established by a special law in 1963 to support the agricultural sector. It provides both conventional loans and Islamic finance through its 27 local branches. In 2020, ACC will launch a digital platform with credit functionality for farmers.

At the moment, ACC is the main source of credit in the agriculture sector. ACC receives more loan requests then it can honour due to it being well-known and easily accessible to farmers. As of 2018, ACC's active lending portfolio was serving 7000 famers with a total value of 38 million JOD. The average disbursed loan size in the first half of 2016 was JOD 5,197. Most loans are granted at subsidized interest rates, with some special programs offering interest-free loans. ACC's main source of financing is the CBJ. Loans are taken from the CBJ at an interest rate of 0.5%, while their operational expenses stands at 2.6%. Total operational expenses including cost of lending are 3.1%.

The level of Non-Performing Loans (NPLs) is 20% at the moment. The majority of ACC loans is provided under personal guarantees, and up to 90% of loan repayments are received by deductions

[26] Tanmeyah Q2 2019 Report.

from government salaries earned by the farmer or family members. It is expected that without this structure the rate of NPLs could be significantly higher.

5.2.5 DFS and Mobile Money

Digital Finance Services (DFS) have the potential to expand the delivery of basic financial services (savings, credit, insurance and transfers) through innovative technologies and digital payment platforms. The rapid increase in internet access and smartphone ownership has made internet banking, mobile phone banking, and mobile wallet usage more feasible. The rate of mobile phone ownership is 92.1%, with 76.5% of adults owning a smartphone, and 83% having internet access either through a computer or mobile phone. According to the Financial Inclusion Diagnostic Study in Jordan 2017, 1.4% of adults having internet banking and 2.1% having mobile banking services. User rates have gone up in the past years with most banks offering mobile banking products and actively promoting it. There are no specific numbers available for agriculture enterprises using Digital Financial Services or Mobile Money (MM) in specific. General awareness amongst farmers of digital payment solutions is low, and many farmers prefer cash transactions.

Following the latest financial inclusion strategy that aims at making financial services accessible to everyone, all MFIs now have started providing digital financial services, either through mobile applications, their websites or Payment Service Providers, which helps these MFIs in lowering their operational costs and enhancing their outreach, especially in rural areas. Seven of the nine MFIs (MicroFund for Women, Ethmar, Tamweelcom, Ahli Microfinance company, National Microfinance Bank, FINCA, and Vitas) are currently involved in DFS (Tablet Loan processing and disbursements through mobile wallets) and are equally integrated with eFAWATEERcom for loan repayment[27]. Zain Cash and Dinarek are the two leading mobile money providers, together covering the majority of MM transactions.

The uptake of digital financial services in general is hindered by a lack of awareness of the benefits, trust and fear to become under the radar of taxes as well as some of the Know Your Customer (KYC) regulations which pose logistical challenges (e.g. the need for a paper form that needs to be collected). Banks and MFIs are partnering to work on this. One example is between Finca and Dinarek, but several other banks mentioned they were closing partnerships too. Another relevant initiative is the collaboration between Dinarek and Mercy Corps who works with partner CBOs to provide interest free loans to farmers and households to implement water saving technologies. The loan disbursement and repayments are all digital. In addition, there is the National Aid Fund whereby the government will make digital welfare payments to 50,000 people in the governorates.

5.2.6 SLGs and CBOs

In addition to registered microfinance institutions, there is a large number of institutions that provide more informal small and medium size finance credit. These are not registered with the Central Bank but in many instances registered with the Ministry of Industry, Trade and Supply.

The main two categories are Saving and Loans Groups (SLGs) and Community-based Organisations (CBOs). Small farmers tend to have a strong preference for CBOs and SLGs over MFIs, as a result of high interest rates and harsh actions in case of delayed repayment. These informal lending options are socially embedded, provide a bit more flexibility in repayment and require little to no interest. CBOs are development partners' main tool of community outreach with regards to financial services. CBOs can also be used as the medium to set up SLGs under their umbrella. For example, Jordan River Foundation (with donor funding) is implementing the Jordan Valley Links Project (2019-2020)

[27] USAID LENS, Digital Finance Country Report – Jordan (2017)

with focus on the establishment of 250 SLGs across the Jordan Valley area using the existing structures and network of 25 CBOs[28].

There are over 800 Community Based Organizations active in Jordan, and they are generally considered leading influencers in the local community. CBOs mainly work with women and children on empowering the community by collaborating with different donors, stakeholders, and charities. The share of women that is benefiting from these products/services varies between 50-80%. Comparable to Saving and Loans Groups, Community Based Organizations are Non-Bank Financial Institutions such as cooperatives or comparable group entities that provide access to funds for their members at low rates of interest and for long repayment periods. CBOs differ from SLGs as they are slightly more formal entities that are usually externally funded and supported. Some CBOs have received -mostly revolving- funds from multiple donors, although all the funds tend to be from international funders who are using local NGOs to implement projects. Almost all CBOs offer revolving loan funds with micro- and small loans that usually range from 200 to 5000+ JOD with a maximum repayment period of 3 years, while charging a service rate of 5-10% to cover operational costs. CBOs usually don't use any of digital financial services, apart from some piloting with e-wallets involving the Jordan River Foundation and Dinarek.

There are many experienced, well-managed CBOs, such as the ones working with the Jordan River Foundation under the IFAD funded REGEP program to offer financial services to rural and agricultural households and enterprises. Some CBOs are open to add additional financial services to their portfolio, such as acting as agents for DFS providers in offering e-wallets and cash in/out transactions[29].

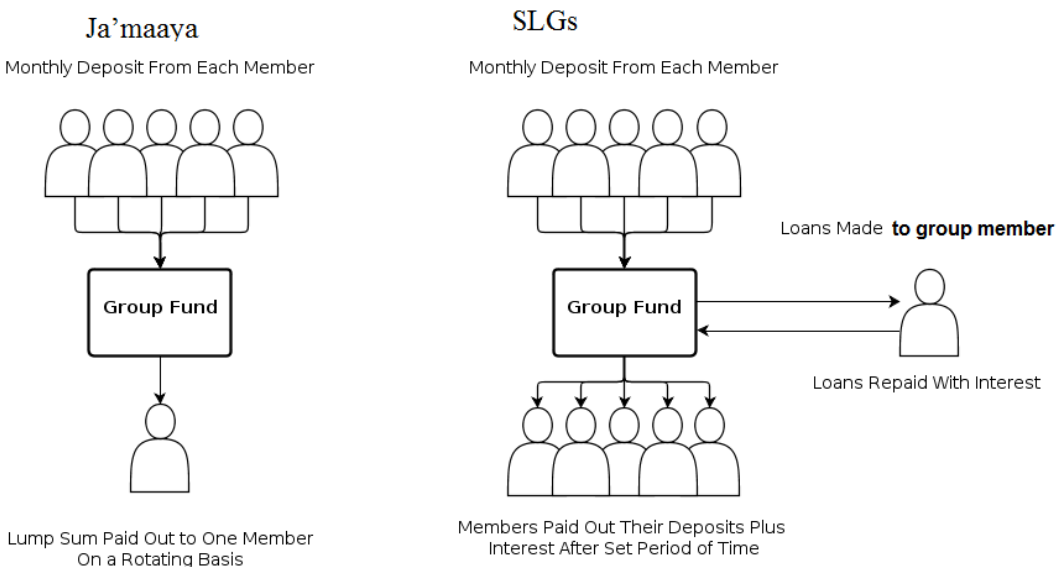
A revolving fund is a fund provided by a donor to a formal or informal financial service provider. The revolving concept allows the financial service provider to withdraw, repay and withdraw loans for any number of times, until the arrangement expires. For CBOs this means that they can serve a large number of people with the same funds.

Saving and Loans Groups are self-managed groups without external funding. There are thousands of SLGs in Jordan and their membership base usually ranges from 15-20 members. Some SLG offer lending services by taking monthly deposits from each group member and then giving the whole monthly sum to one member of the group. The recipient of the monthly sum is based on a predetermined rotation, ensuring each participant will eventually receive a large pay-out. The group fund and its potential proceeds from interest are paid back to the original members. The SLG microloans usually do not exceed 200 JOD and have a maximum tenure of 12 to 18 months. Some SLGs work with the Ja'maaya concept where no interest is charged due to religious beliefs. The picture below explains the difference between 'standard' and Ja'maaya group lending practices.

[28] https://www.jordanriver.jo/en/media/news/jrf-canadian-government-meda-launch-new-project-supporting-credit-loan-groups-across

[29] Mercy Corps WIT, Financial Needs Assessment, 2019

FIGURE 1: SLG AND JA'MAAYA CONCEPTS[30]



5.2.6 Suppliers and traders

The majority of small-scale but also larger-scale producers receives credit from input suppliers, traders or commissioners. The value of this credit varies based on several factors, including crop or product type, order amount and supplier reputation.

Suppliers

Many suppliers sell agriculture products and services on credit to reputable farmers and in the case of unknown farmers through commissioners by obtaining post-dated cheques as security against the credit. USAID's 2012 AgBee report found that 85% of a Jordanian supplier's business is based on credit. Even larger farmers that do have the means for (partial) cash payment indicate to make use of this informal credit. With farmers paying cash usually receiving a 10% discount, these technically interest free loans come down to about 11% interest.

Input dealers sell seed, fertilizers and pesticides to farmers on a cash basis (10% of their clients) or credit basis (90% of their clients). This credit period is a maximum of 9 months as payment comes in after harvest. About 20% of informal credit is not recovered or very late according to dealers' own estimates. Over the last eight years, farmers have increasing struggled to pay back their debts and the use of seeding services and sales of fertilizer and pesticide in general has dwindled. Larger or agent dealers are better equipped to handle this volatility in income, small dealers (microbusinesses) struggle financially, and some go bankrupt.

Equipment dealers usually provide their greenhouses, irrigation systems and other tools to small farmers on a payment plan with multiple payments spread over the course of one to two years. About 35% of informal credit is very late or not recovered according to multiple dealers' own estimates. Equipment and greenhouse manufacturers have significantly lowered their prices following the economic downfall. Some dealers have credit facilities at DEF or local banks to cover their capital needs (working capital and inventory). Dealers indicate that without informal credit by means of payment plans or donor subsidies very little small farmers would be able to afford these types of investments.

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[30] Mercy Corps WIT, Financial Needs Assessment, 2019

Commissioners

The Vegetables and Fruits Central Wholesale Market and its several municipality markets are ruled by around 130 licensed commissioners. The commissions are also known as wholesalers or brokers and set the buying price for all agricultural products – both imported and locally produced. Depending on the produce, the broker can offer a minimal pre-season price and take the entire harvest at the end of the growing term. Since most small farmers do not have access to other large markets and want to ensure that the crop is purchased, they often feel required to accept the prices of the commissioners.

All Central Market transactions take place through a commission agreement: the commissioner receives and markets the produce on behalf of the producers and transfers the payment of the buyer to the farmer once a sale is made. Commissioners provide the selling farmer with a formal receipt with transaction details, incl. product's weight, the unit sale price, the total amount generated from the sale and withholdings applied. The commissioner charges farmers around 10% of the net amount of sales, although field research also found transactions in which 17% commission was charged. Higher shares can integrate transport to the market or other services provided by the commissioner to the farmer. Sometimes farmers sell to the central market's commissioners via a middleman that visits their farm. These middlemen take a commission of 5-10% of the net amount of sales.

Commissioners at the central market are considered rich in cash and often do not require financing from financial institutions. They are the main lending source for many farmers that do not own lands and do not have proper financial documentation. Commissioners can give out relatively large loans of 10.000 to 50.000 JOD. Commissioners can give guarantees to suppliers or directly pre-finance farmers at zero interest rates and usually up to 50% of the expected sales value, subject that the farmer sells the harvest exclusively to them. In some occasions these funds are paid directly to input suppliers or equipment providers, although this is usually based on informal agreements and there are no formal tripartite agreements in place.

Lending decisions are made based on their historical relationship, the quality of their goods, technical expertise and -mostly- trust. With unknown farmers they sometimes obtain collaterals such as post-dated cheques and mortgage of vehicles; they do not mortgage lands as small farmers are usually not the owners. If the producer does not meet the buyer's specific requirements and no deal can be made, then the farmer still must pay back the pre-financed amount. Farmers can end up indebted to these agents as a result of these types of arrangements. The commissioners acknowledged the high risk of their business and even describe it as gambling. Estimated shares of farmers repaying their loans late or not at all ranged from 25% to 90%[31].

[31] Mercy Corps, Access to Finance- Agriculture Market Assessment, 2019

5.3 Main supply side challenges

The table below introduces the main supply side challenges hindering banks, MFI's and other financial service providers in serving agricultural clients in a suitable and sustainable manner. The first page of the table discusses specific challenges related to financial service providers' internal capacity needs and introduces concrete thematic trainings to meet these needs. The second part of the table discusses wider ecosystem level challenges that can not necessarily be solved by an individual financial service provider.

TABLE 11: SUPPLY SIDE CHALLENGES

Topic	Sub-topic	Challenge	Concrete capacity building need
1) Capacity needs 	**Low interest**	Financial institutions generally do not have much awareness nor interest in the needs of (potential) agriculture clients	Training on the business case for lending to farmers.
	Unsuitable financial products	The products and services on offer are generic lending products that rarely meet the needs of agriculture clients, mostly due to limited experience and awareness. There is a need for targeted Agri-Finance and Islamic Products to allow financial institutions to tap into this largely unserved client segment.	Technical assistance and training to assist banks and MFIs in developing appropriate Agri-Finance products. Also, support the Islamic banks in providing Islamic modes of finance for working capital and long-term financing. Rather than create "pink" products targeting only women, it would be advisable to apply a gender-inclusive design approach and developed a product to work for both men and women.
	Limited business case validation skills	Lack of skillset to validate the business case of a farmer and limited capabilities to serve small farmers.	Training courses in Agri-Finance, marketing skills, customer service, credit and risk management to reach out to the target market and service them well in terms of loan demand, product, service and pricing.
	No farmer marketing strategy	There is an absence of marketing strategy and lack of marketing channels for some banks which limits the possibility of reaching the target group.	Training on marketing strategies and the role of digital financial services to this end can support this.
	No expectation setting towards clients	Many banks and MFIs do not have and thus do not offer a clear information package to applicants: what are the requirements for credit and why is a farmer (not) accepted as a client?	Provide capacity building and training for officers at these institutions and other relevant organizations working with farmers in credit appraisal for rural finance.

Topic	Sub-topic	Challenge
2) Policy 	**Limited service offer MFIs**	MFIs cannot offer a full range of financial services to its customers, whilst savings and payment products are especially relevant for their target segment.
	Higher costs of funds for MFIs	As MFIs are unable to take deposits from their members, a critical source of relatively cheaper financing is closed for them, although the impact on licensed MFIs is likely to be moderated through access to the Central Bank of Jordan's financing schemes in the medium term. However, despite the higher cost of finance for the MFIs, they are forced to serve the target group with nominal interest rates.
3) Financial modelling of FIs 	**Competition of ACC interest rates**	Commercial competition with the Agriculture Credit Corporation's subsidized loans and CBJ window loans is very challenging.
	Low operational efficiency	Costs relative to the small loan sizes make MFI loans higher priced products (in terms of interest). Weak financial management skills and accounting records amongst the target group make the evaluation of the target group applicants' time consuming and costly.
	Lack of distribution channels	Lack of distribution channels in rural areas due to high outreach costs, low population density and a relatively unattractive client base with low average incomes.
4) Risk management 	**High occurrence of NPLs**	Large share of non-performing agricultural loans to smallholders due to unsuitable payment conditions (grade period, option for delayed repayment, agricultural cycle-based repayment) and wrongful business case assessments.
	Wrongful allocation of loan funds	Farmers can spend their agri-loans on consumption purposes rather than the destined production purposes. Formal, semi-formal and informal institutions usually do not have regulated tripartite loan agreements involving input and equipment suppliers in place. There is need to explore options that support FI's in extending credit facilities directly to technology and input suppliers instead of farmers.
	Collateral-based lending	The current focus on collateral-based lending is partially the result from a still 'incomplete' or developing financial ecosystem in which there are no gurantees or insurances available to limit the risk of lending to small farmers.
	Lack of credit guarantee	There is need to increase the financial landscape's capacity to offer smaller agricultural loan guarantees. This will facilitate cashflow lending and decrease the dependence on collaterals. Designing credit facilities to be extended to suppliers can mitigate some risk and is of interest to (M)FI's.
5) Image 	**Bad reputation for MFIs**	Poor repayments and harsh measures taken by some MFIs have led to some negative press for the microfinance sector. MFIs are now being licensed by the Central Bank of Jordan and are slowly re-building their image in terms of reliability. There is also need to build more awareness around the reason for high interest rates.

Chapter 6: Gap Analysis and Interventions

The previous chapters provided a profile of the average small farmer in Jordan and the financial landscape that is available to serve their financial needs. This chapter summarizes the key challenges for subsistence and smallholder farmers to access financial services, the missing pieces in the overlay between supply and demand and the broader eco-system and interventions that could help to increase the access to financial services for farmers.

The proposed set of interventions is quite extensive and builds on our understanding that supporting transformation of small farmer livelihoods by facilitating access to financial services requires leverage from many actors, not just one donor. The aim of this study and the identified Access to Finance interventions expands beyond creating a single donor development plan. We hope that the knowledge and approach presented can inform co-operative intervention development amongst donors and leverage the full amount of financing and investment required to create such supporting agri-financial landscape.

6.1 Bottlenecks hindering farmers' access to finance

The table below summarizes the financial inclusion profile for subsistence farmers and small farmers, using the information presented in chapter 4 and chapter 5. For subsistence farmers, this concerns challenges for basic financial inclusion such as access to formalized saving services. For small farmers, the main challenge transcends this phase and concerns suitable agricultural finance for business investments.

TABLE 12 FINANCIAL INCLUSION CHALLENGES

Challenges for basic financial inclusion – Subsistence farmers	Challenges Agricultural Finance – Smallholder Farmers
• Strong focus on cash. • Limited bookkeeping and financial literacy. • Low income and profitability limits people's savings capacity • Access to market challenges and low profitability hinder lending capacity. Risk further increased due to indications of over-indebtedness. • Community Based Organisations, Saving and Loans Groups and Digital Financial Service providers are the channels to reach this target group with a strong focus on savings and payment services. • Still limited outreach from Digital Financial Service providers. Dinarek, Zain Cash show interest to reach out to those groups – often via Community Based Organisations.	• Low current lending to the agricultural sector in general (<2%). Main interest / activity from: NMB, Commercial Bank Jordan, Jordan Ahli Bank, Islamic International Arab Bank, Bank of Jordan, Jordan Kuwait Bank, Tamweelcom. • Key concern of banks & MFIs is the lack of a strong business case for farmers. Second concern is the risk associated with the agricultural sector and lack of collateral. • Banks and MFIs indicated the need for capacity building to develop agricultural lending products that successfully manage to mitigate the risks associated with agriculture (price and market risk). • Financial sector is very liquid. CBJ also has a window for on-lending to SMEs & the agricultural sector. IFAD provides capital via CBJ for lending to the agricultural sector. • Over-indebtedness is a challenge. High non-performing loans in informal credits are high at self-reported rates of 10% (seed), 20% (fertilizers, pesticides) or even 35% (irrigation systems). Non-Performing Loans in formal banking sector are relatively high too at +-20%. • Need for a general overview and assessment of capacities and skills gaps encountered by financial product and service providers.

Our findings on these financial inclusion profiles point to the following key gaps that need to be addressed to ensure sustainable access to financial services for farmers. Each observed gap is matched with recommended potential measures.

TABLE 13: KEY GAPS HINDERING ACCESS TO FINANCE IN THE AGRICULTURE SECTOR

	Observed gap	Potential measures
Gap 1	**Cycle of indebtedness** needs to be neutralized before small farmers should be venturing into scaling up and out.	Promotion of saving and payment products as a way out of indebtedness and/or enable future investments.
Gap 2	Most small farmers do not have a **bookkeeping system** in place that helps them to understand their business model, planning and related financial needs. In addition, their lack of financial records hinders showing their current income and expenditures to financial service providers to enable them to assess their loan application.	Enable proper business planning by keeping records of financial transactions. This requires financial literacy support. Increase awareness of farmers of different (digital) financial products to enable them to access relevant payment and saving services. Prove farmers' business case to financial service providers by transacting via a bank account or mobile wallet will increase chances of successful loan application and allows for financial products that go beyond collateral based lending.
Gap 3	Often the **business case** for farmers is weak as volumes are only reached via the central markets where prices are often too low to cover costs.	Strengthen the business case for farmers by improving the efficiency of the current local market system and by increasing value addition.
Gap 4	**Access to credit** should not be a goal in itself and is only desirable if it is likely to result in increased income. This requires a positive business case as farmers are otherwise only further indebted and makes them more vulnerable.	Ensure there is a business case before offering credit and look at the key risks and how these can be mitigated.
Gap 5	Mobile payment and account services are not widely used due to lack of trust, limited (ease of) accessibility and limited financial literacy.	Improve the accessibility of digital financial service and ensure that the needs of farmers are adequately met. In the rural areas this preferably incorporates existing social structures such as SLGs, CBOs and Islamic finance providers.
Gap 6	Small farmers with a healthy business case have limited access to financial services. **Collateral requirements and interest rates** are high. Financial Institutions lack capacity to develop and manage suitable agricultural loans.	Develop credit products whereby repayments are tailored to the cash flow of the agricultural sector and involve wider value chain partners. Existing informal credit arrangements with input suppliers and traders are an interesting entry point. The same holds for IFAD's collaboration with some banks and MFIs.
Gap 7	There is no **registration** is in place for farmers with the Ministry of Agriculture. No information is available either on costs, productivity and prices which could assist banks to get more information to assess loan applications.	Register farmers with the Ministry of Agriculture to enable tailored interventions and gain access to better information on costs, productivity and prices.

Gap 8	The current **market system** for agricultural produce is inefficient. The GoN's CBI and the GoJ are looking into market information initiatives with a focus on export markets.	Market information systems focusing on local markets will be beneficial for smallholder farmers who sell their produce on local markets.
Gap 9	The Credit Reference Bureau mostly has information from banks and selected MFIs. ACC, traders and input suppliers are main credit providers to the agricultural sector but are not included.	CBJ and CREF to find a way to also register (bad) debts of other credit providers such as ACC and input suppliers.
Gap 10	The CBJ has funding available at low interest rates for lending to the agricultural sector. However, no mechanisms are in place to favour smaller ticket sizes and to deal with higher risk of the agricultural sector. The Jordan Loan Guarantee Company does not guarantee agricultural loans.	CBJ as part of its financial inclusion agenda to look how it can put in place incentives to encourage smaller ticket sizes to enable banks and MFIs to reach smaller sized farmers (directly or indirectly) as well as into mechanisms to deal with the additional risk of the agricultural sector and smaller loan sizes.

Risk and the lack of measures to manage this risk is the key factor that underlies many of the challenges described above. Based on our observations, we foresee a three-step approach towards sustainable small farmers' development using financial services in Jordan.

- First, small farmers' business cases need to be strengthened – with access to markets being the main bottleneck.
- Second, farmers need to be able to map and prove their business case using payment and saving services.
- Third, a risk sharing financing methodology should be developed, involving multiple or all value chain actors benefitting from agricultural production.

Patient investments in designing and deploying financial services that make farmers more resilient are required, starting with saving & payment services. Sustainable financial inclusion for small farmers in Jordan requires phased uptake of formalized and sustainable financial services. With farmers' business performance improving as a result of better access to markets, their capacity to save and re-invest in the production costs of their next production cycle will go up. They will start to be able to afford the financing costs for credit products and can scale up (volume expansion) or scale out (engage in value addition activities). Access to saving and payment services will allow them to prove their business case to financial institutions by transacting in a convenient and affordable manner. CBJ's 'basic account' options could be beneficial in this process.

Credit should only be provided in the case of a positive business case. In Jordan, small farmers first need to strengthen their business case before venturing into lending to scale their business up and/or out. Their average financial performance tends to be sub-optimal, and credit-financed investments in any way are not recommended until the key challenge of lacking markets resulting in low farm gate prices is dealt with. The main question that needs to be answered before venturing into supporting farmers to obtain loan is: to what extent *should* these vulnerable, small farmers be accessing credit? Many financial service providers and development partners have not yet considered the conditions that apply to provision of lending services: these are not always beneficial and sometimes even risky for farmers. A careful diagnostic of the underlying 'reasons behind the reasons' needs to be made to advice on the right loan-products and related services for farmers and the conditions under which these are applicable. We believe that under the right conditions, accessing financial services in a facilitating ecosystem will decrease production, market- and price risk of small farmers and the financing risk for informal and formal financial service providers.

A risk sharing approach to trigger agri-lending requires smart partnerships between those benefitting from (more) agricultural production. Sustainable agricultural financing should spread the cost of financing agricultural production over all actors that benefit from that agricultural production. So not just the farmers, but also the agro-dealers and middlemen, wholesalers and processors. This will also ensure stronger product linkages. In Jordan, the agrodealers and buyers already participate in risk-sharing practices by providing informal input credits or advance payments. However, the lack of suitable financial products and limited financial feasibility of farmers' current business case hinders financial performance. It will be worthwhile to explore the option of formalizing tri-partite lending agreements between buyers, farmers and input or equipment suppliers, or setting up a fund to replace the financing position of the central market's commissioners. Such fund would could both provide guarantees and commodity-backed micro to small loans for working capital needs for farmers. This would allow the farmer to sell their commodities to a buyer of choosing and at real-time market prices, as well as freeing commissioners of the financial risks and burdens of the current system.

6.3 Concrete interventions

On a financial landscape level, it becomes clear that commercial banks are not going to engage in lending to small farmers in the next ten years due to high risk and low profitability. Formal lending will continue to come from ACC, MFI's and to be further formalized linkages with semi-formal and informal credit suppliers such DFS providers, CBO's and SLGs.

We recommend the application of a holistic development approach that focuses on capacity building, access to markets and access to financial services involving the actors mentioned above. The recommended support activities for subsistence farmers and smallholder farmers in each of these categories are listed in the table below.

TABLE 14: ADVISED SOLUTIONS FOR FARMERS

	Subsistence Farmers with potential to scale up	Small Farmers
Capacity Building	• Build the business case (crops, production systems) • Financial literacy	• Build the business case (crops, production systems) • Training in bookkeeping • Training in business planning
Access to Markets	• Establish links with commercial markets as well as agro-processors to build long term relationships which are mutually beneficial • Support (starting) agro-processors to add value to agricultural produce and source from farmers	• Secure markets (contract farming, agro-processors, commercial markets, digital platform) • Support (starting) agro-processors to add value to agricultural produce and source from farmers.
Access to Finance	• Promotion of saving products as a way out of indebtedness and/or enable future investments • Further strengthen the linkages between informal and formal financial service providers (e.g. CBOs and SLGs with banks and DFS providers)	• Increase linkages to payment and savings services • Relevant credit products to be offered by banks & MFIs with manage price & market risk: - involvement of buyers of produce - tripartite agreements for input credit or leasing production or addition equipment • Other mechanisms to keep costs of lending for farmers low such as availing cheap funds for on-lending especially for smaller loan sizes. • Guarantees

More concretely we recommend the EKN to start 3 pilots that integrate the three areas listed above and are based on three key strategies to improve the access to markets for farmers by using i) innovative digital solutions, ii) the large volume players that are key to reach scale and iii) initiatives focusing on value addition. More information on potential partner organizations can be found in Annex 2. The table below provides more details on the proposed pilot interventions.

TABLE 15: PILOT-BASED PRIVATE SECTOR DEVELOPMENT MODEL

	Pilot 1: Digital	Pilot 2: Volume	Pilot 3: Value addition
Title	Digital marketplace connecting small farmers to local buyers	Consensus approach to facilitate volume-based sales via a Central Market-based buyer	Aggregation and value addition role for local SME(s)
Support	• *Capacity building (CB) digital marketplace service provider* • CB farmers on agronomic, digital and financial skills • Build partnership with payment and savings providers • CB FI's on loan product design	• *Dialogue facilitation to create understanding and find win-win around Central Market* • CB FI's on loan product design • CB farmers on agronomic and financial skills • Promotion of savings and digital payments	• *CB on sourcing, processing & markets for SME(s)* • CB FI's on loan product design • CB farmers on agronomic and financial skills. • Promotion of savings and digital payments
Crop	Fruit & Vegetables	Fruit & Vegetables	Herbs

Ecosystem-level interventions

Apart from these interventions there are also several other challenges in the eco-system identified in section 6.1 where the EKN can play a role. We list those who are not part of the table above:

- Currently farmers are not registered. This hinders targeted interventions for farmers. In its dialogue with the Ministry of Agriculture, EKN can promote this registration and also highlight the potential this offers to further strengthen the sector (see next two recommendations). An exchange visit to The Netherlands where similar systems are in place can be considered.
- There are several inefficiencies in the way the local market is organized and it will be beneficial to make local markets more transparent. It will be good to further explore and promote the market information initiative of the EKN with the GoJ and CBI with attention for the local market. The Directorate of Marketing can play a role here as well.
- Facilitation of community-based farmer group cooperation (rather than financial/legal structures) is going to be very important: it will enable farmers to engage in aggregation & price negotiation based on trust and existing relations.
- It is currently difficult to assess the business case of farmers as there is no crop specific information available on productivity, prices and costs. Such a system would enable farmers to benchmark their performance and would contribute to a further professionalization of farms. In addition, it will facilitate loan assessments as it provides financial service providers with a more independent assessment of the key assumptions of the business model.
- Leverage ongoing trends in digital financial services and savings products for MFIs. CBJ is in the process of exploring the option to allow MFIs to take deposits. DFS is taking flight and many new applications are being developed and tested by a variety of actors.

- The Credit Reference Bureau (CREF) should include input suppliers and Agricultural Credit Cooperation to enable a full picture of outstanding credit and prevent further indebtedness of farmers.
- CBJ as part of its financial inclusion agenda should look how it can put in place incentives to encourage smaller ticket sizes to enable banks and MFIs to reach smaller sized farmers (directly or indirectly) as well as into mechanisms to deal with the additional risk of the agricultural sector and smaller loan sizes.
- There is need to increase the capacity and willingness of the Jordan Loan Guarantee Company (JLGC) or a new financial vehicle to offer smaller agricultural loan guarantees. This will facilitate cashflow lending and decrease the dependence on collaterals. For sustainability reasons and considering the capacity of local institutions, it is recommended to work through JLGC and improve their offering.

Annex 1: Interviewees

	Entity (Jordan)	Entity (Netherlands)
1	Central Bank of Jordan	FMO (NASIRA, MASSIF)
2	International Islamic Arab Bank (Islamic finance 1)	ING
3	Safwah Islamic Bank (Islamic finance 2)	Rabobank
4	Jordan Commercial bank (commercial bank 1)	Triodos IM
5	Jordan Ahli Bank (commercial bank 2)	PWC/Triple Jump (DGGF)
	National Microfinance Bank	GROFIN
6	Tamweelcom	Ministry of Foreign Affairs
7	VITAS	DDE
8	Tanmeyah	Advance Consulting
9	Mobile Money provider	
10	Agricultural Credit Corporation	
11	Partners for Good	
12	IFC	
13	Hassad Agri-incubator	
14	Ghoorcom	
15	JEDCO	
16	JEPA	
17	ECO consult	
18	7 small farmers (loans up to 5000 JOD)	
19	6 medium/large commercial farmers	
20	3 trader/aggregators	
21	Local mechanization dealer	

Annex 2: Potential Partners Description

Name	Description
IFAD Rural Economic Growth and Employment Project (REGEP)	The REGEP project being implemented by JEDCO has a component to develop a 2.5 million USD Rural Finance Fund and assist MFIs to develop appropriate, scalable products for agriculture production and post-harvest activities. Competitively selected MFIs, who will develop a Rural portfolio business plan and operating procedures. The MFI partner will provide loans of ≤ 2,000 USD to groups, collective groups or individuals. In addition, the program provides grants of 1500 JOD(individual) to 4500 USD (group).
IFAD Small-ruminant Investments and Graduating Households in Transition (SIGHT)	Project IFAD is starting a new project with the MoA to establish a lending facility for rural businesses (a concessional loan and grants for the value of USD12.8M). It will target 550 MSEs with loans for on farm and off-farm activities, including small ruminants. Thirty percent will target women-owned or managed businesses. MFIs will be requested to provide loans to 133 small ruminant SHF, 290 Micro and 145 small rural businesses. The financing to these beneficiaries will be implemented by the Central Bank of Jordan in cooperation with local banks.
Jordan Enterprise Development Corporation (JEDCO)	Established in 2003 to replace the Jordan Export Development and Commercial Centers Corporation. It aims to promote trade, develop strategies, increase exports, increase enterprise production capacities and quality levels. It aims to support SMEs in industrial services and agriculture sectors. It currently implements REGEP.
Jordan River Foundation (JRF)	Partnering with IFAD, and in cooperation with the Jordan Enterprise Development Corporation (JEDCO), JRF is managing and implementing two main initiatives under REGEP: the Development and Support of Saving and Credit Groups and Associations, as well as Business Mentoring and Marketing and Specific Training for Farmer Groups and Associations. JRF's main objective is to create sustainable jobs and income generating opportunities for local communities across these governorates, especially among youth and women. In line with its strategy to increase access to finance for women and youth across Jordan's local communities, the Jordan River Foundation (JRF) has announced the launch of a 2-year Jordan Valley Links Project. The project will primarily focus on economic empowerment for women and youth through access to credit and loan groups for local communities in the Jordan Valley, including Irbid, Karak, Ajloun, and Jarash. It aims to empower 5,000 women and youth through the establishment of 250 Savings and Loan Groups across the Jordan Valley area; impacting over 2000 families," added Barrishi. JRF's role will revolve around utilizing its experience in community mobilization and established network of over 800 community-based organizations (CBOs) across Jordan to promote the practice of savings and loan groups in the Jordan Valley. The Foundation will work with 25 qualified CBOs and 50 field mentors to develop community outreach, mobilization, and support programs and services.
USAID LENS	LENS is providing technical assistance, training and equipment to HBBs, MSEs and Cooperatives. There may be opportunities for targeted loans to meet project needs

	around raw materials or equipment. These can potentially assist in identifying anchor firms that may currently have linkages with HBBs that need financing.
Business Service Providers	Business Development Center (BDC), Competence Management Consulting (CMC) and Click Management have proven track records with implementing technical assistance and training to agri-businesses and to a lesser extent farmers.They may be key partners in providing farmers assistance required to improve their businesses and help them with business registration and certification.
Mercy Corps	Mercy Corps is implementing a water technology project funded by USAID. They are identifying FSPs for their program and there may be potential to partner on their current project or develop a referral partnership for communities they work with to access financing for business needs.
Jordan Exporters and Producers Association for Fruit and Vegetables (JEPA)	Membership includes 300 members, with several value chain actors: producers, packers, input suppliers, importers and exporters, etc. Ninety-five percent (95%) from Jordan to Europe are from these members. JEPA is responsible for government lobbying on behalf of members as well as promotion, training and consultancy.
Jordan Agricultural Produce Promotion Company (JAPPCO)	JAPPCO aims to raise the standard of living for farmers and agriculture workers. It has created a packaging center, exports products to the European market and creates jobs.
Jordan Exporters Association (JEA)	JEA assists businesses with exporting products via export promotion, market information, capacity building and advocacy.