

Memorandum of Understanding

Between

Jordan Enterprise Development Corporation (JEDCO)

And

Association of Banks in Jordan (ABJ)

**For the implementation of the SME FINANCING ADVISORY COMMITTEE project
(SMEFAC)**

(JEDCO and the ABJ being referred to jointly as 'the Parties')

BACKGROUND

JEDCO's SMEFAC

Jordan Enterprise Development Corporation (JEDCO) is the lead national institution for providing support to SMEs, notably in the fields of trade promotion, export development, enterprises development and access to finance.

Supporting SME's access to finance (Banking and equity services) is implemented by JEDCO Financial Support Schemes Directorate (FSSD) through several programmes, the "*Banking Window Program*", the Venture capital, the Loan Guarantee and the SME Financial Advisory Committee.

These projects are supported by the Government of Jordan and the European Commission under the Jordan Services Modernisation Programme (JSMP) and the Spanish cooperation through the "Facilitation of Access to Finance for SME's" programme "FAF" financed by the "AECID". The programme aims at reinforcing the infrastructure facilitating access to finance for SMEs in Jordan. Through; building up the capacity of the JEDCO FSSD; enhancing the capacity of the banking window to deliver intermediation services and improving the ecosystem of SME financing.

Seeking to improve the ecosystem of SME's financing; FSSD assessed the benefits of having a forum on SME financing, which exists in several countries in the region and beyond (e.g., Lebanon, Egypt, France, and Malaysia). Accordingly FSSD has presented and discussed this initiative with its potential stakeholders. The ABJ and the Banks in Jordan acknowledged that this forum would be effective in facilitating access to finance for SMEs and at building bridges between enterprises, banks and financial institutions and policy makers.

The project will take the form of an SME Financing Advisory Committee (the SMEFAC) hosted by the Association of Banks in Jordan. It will be peer committee constituted of representatives of banks and relevant partner institutions involved and interested in developing their SME financing activities.

The SMEFAC will play the role of a dialogue and advocacy platform between the banking sector and other relevant financial institutions, the SMEs, government officials, regulatory institutions, donors, and non-banking financial institutions; it is aimed at advocating SME financing both within and outside the banking industry.

The SMEFAC's role is limited to a consultative and advisory role of all the parties involved in fostering SME financing in Jordan.

The ABJ

The association of banks was established in November 1978 to upgrade the level of performance and banking services and to coordinate between these institutions themselves as well as act as a liaison for them with the monetary and financial authorities.

The association of banks in Jordan cooperates with concerned parties in the public and private sectors in all matters that serve and enhance the national economy, Looks after the interests of the association and the members besides strengthening cooperation between them and coordinating their activities in order to achieve their common interests, Discusses the members' common issues related to various activities and finds suitable solutions to problems facing them, Exchanges information and experiences in all matters that upgrade the level of banking business and serve the common goals of members, Improves the methods of delivering banking services and works on enhancing cooperation with the central bank in order to execute its monetary and banking policy and express opinions when needed.

The association seeks to achieve its objectives through several means, most importantly, the following:

- Arriving at an understanding or written collective agreements in order to standardize, whenever possible, internal and external dealing terms.
- Issuing periodic pamphlets and publications that deal with various aspects of banking activities.
- Holding seminars and lectures about economic issues in general and banking in particular.
- Developing the capabilities and qualifications of workers in the banking sector by all possible means.
- Setting up institutes and centers for training and banking studies.
- Preparing studies and researches related to the banking business and circulating them to members.
- Providing proposals aiming at upgrading commercial legislations in general and banking in particular.

THEREFORE

JEDCO and the ABJ acknowledged that:

- They share the common objective of developing access to finance for the SMEs;
- Having the ABJ adopting JEDCO SMEFAC project would be beneficial to the Banks and the SMEs; and
- There is a need to precise the mechanism of joint implementation of the SMEFAC project.

JEDCO and the ABJ thus decided to sign the present MoU that sets the conditions of cooperation between JEDCO and the ABJ under the SMEFAC project.

1. SUBJECT

The present MoU is aimed at precisising the terms and conditions of a cooperation between JEDCO and the ABJ under the SMEFAC project that aims at facilitating access to finance for SMEs, hence facilitating the development of banks' SME activities.

2. COMMITTEE

2.1 A committee is formed jointly by JEDCO and the ABJ called the SME Finance Advisory Committee or "SMEFAC".

2.2 The committee (Appendix 1) will consist of:

2.2.1 Permanent members; these permanent members will be jointly identified by JEDCO and the ABJ. They must be institutions involved in the activity of supplying financing in the form of debt or equity to SMEs (to be defined by the committee members in light of the available SME definitions and taking into consideration the Central Bank of Jordan definition); permanent members exert a voting right on all topics submitted to vote, except in case of conflict of interest;

2.2.2 Members upon invitation, that will be invited according to the topic discussed and will have the voting right on these specific topics.

2.2.3 Visitors may be invited to attend and participate on a consultative basis to the committee according to the topics discussed.

2.2.4 All committee members are volunteering.

2.3 Members will be invited to regularly attend the Committee and delegate a representative of sufficient level of seniority to provide the relevant expected input.

2.4 This committee is of consultative and advisory nature and is not endowed with any executive power.

2.5 The committee is chaired by the ABJ.

2.6 JEDCO is the Committee Secretary and a permanent committee member.

2.7 The committee members will be jointly identified and invited by the ABJ and JEDCO; a tentative list of members is presented in Appendix 1.

2.8 The Committee will be convened every quarter, the first meeting date would tentatively be on the 5th of June 2011.

3. ROLE OF THE ABJ

- Hosting the committee meetings;
- Submitting a 12-month calendar with the technical support of Secretariat based on the topics of interest proposed by the committee members;
- Contacting the permanent committee members and the temporary participants in light of the agenda drafted by JEDCO based on the on the topics of interest proposed by the committee members;
- Issuing recommendations and letters to the relevant bodies based on the committee meetings results;
- Assigning employees to perform the tasks above (in kind participation).
- Advertising the committee on its website.

4. ROLE OF JEDCO

- Supporting the ABJ in submitting a 12-month calendar for the project activities;
- Drafting the meeting agenda;
- Consulting with relevant stakeholders and undertake surveys with external consultants;
- Drafting the Terms of Reference of the surveys decided upon by the committee;
- Organizing the tender according to procurement rules agreed on with the AECID.
- Evaluating and monitoring the progress and achievement of the project in relation to the announced objectives;
- Approving the recommendation letters drafted by the ABJ (Co-signing) and following up on the progress and the status of these recommendations or initiatives with relevant bodies.
- Approving consultants' final report (surveys and studies);
- Presenting the outcome of the consultation to the participants;
- Drafting the committees' minutes and send it to the members.
- Advertising the committee on its website

5. FUNCTIONING

5.1 The topics of the surveys will be decided by the committee members at a simple majority.

5.2 The committee will be convened at least on a quarterly basis or more frequently if the committee members decide otherwise.

5.3 The calendar and agenda of the committees' meetings will be discussed and adopted at a simple majority (list of surveys, events and stakeholders to be invited).

5.4 New members to be adopted at a majority of two thirds.

6. COMMUNICATION AND VISIBILITY

- 6.1 Since this MoU highlights the partnership between JEDCO and the ABJ, it is expected that all communication will refer to both Parties;
- 6.2 The ABJ will participate to the launching event of the Banking Window during which the SMEFAC initiative will be presented.
- 6.3 The signing of this MoU may give rise to a joint communication on the terms and scope of the cooperation between JEDCO and the ABJ, the content and form of this communication having to be agreed ex-ante by the Parties.
- 6.4 The invitations of the members and other stakeholders will be send on a letter head /mail with both parties' names and logo.
- 6.5 The ABJ and JEDCO will publish the SMEFAC project on their websites, and each party in the present MoU will add the link of the other party on its website.
- 6.6 Both parties must highlight the contribution of AECID through its logo, on the completion of the activities funded, documents and activities.

7. PROPERTY

The use of the surveys / studies and any other material produced under the SMEFAC for communication or commercial purpose can only be done by JEDCO or jointly be JEDCO and the ABJ, unless with the prior writing consent to JEDCO.

8. CONTACT PERSON

- 8.1 JEDCO will assign an officer as a focal point for the ABJ under the SMEFAC project.
- 8.2 The ABJ will assign a contact person that will be the focal point for JEDCO.

9. MOU VALIDITY

This MoU is valid for a period of two years from its signature date, and can be thereafter renewed on a yearly basis, based on the evaluation of the results of both parties for the process of overall objectives achievement.

10. TERMINATION

This MoU can be terminated at any time by any of the Parties upon reception by the other Party of a written 90-day prior notice.

11. LIABILITIES

11.1 This MoU being entered into by the Parties on a best effort basis, the Parties cannot claim on each other in the case of having JEDCO or the ABJ failed to deliver any / all of the roles mentioned above.

11.2 The committee is a consultative one, brain trust for consultations and surveys issuing non-committal recommendations.

11.3 JEDCO being in charge of the management of the FAF programme under which the SMEFAC surveys will be financed, it will be the sole responsible for the administrative, financial and legal liabilities arising from the procurement of the necessary expertise to undertake the survey.

11.4 The financial responsibility of JEDCO is limited to the availability of budgets assigned for the SMEFAC activities.

11.5 Co-financing some activities from other parties is welcomed.

12. AMENDMENT

This MoU can be amended at any time by the Parties.

In Amman,

**For JORDAN ENTERPRISE
DEVELOPMENT CORPORATION**

H.E. Eng Yarub AL-QUDAH
Chief Executive Officer

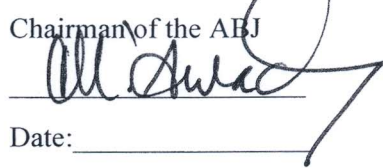
Date: 16/5/11



**For THE ASSOCIATIONS OF BANKS
IN JORDAN**

H.E Mr. MARWAN AWAD
Chairman of the ABJ

Date: _____



APPENDIX A – TENTATIVE SMEFAC MEMBERS LIST

1. **Permanent members:** will be jointly identified by JEDCO and the ABJ.
 - 1.1. ABJ (chairman)
 - 1.2. JEDCO (secretary)
 - 1.3. Banks
 - 1.4. Micro finance institutions
 - 1.5. Equity funds
 - 1.6. Leasing institutions
2. **Associated members:** will be Invited according to the topic discussed and will have a voting right on the approval of specific resolutions.
 - 2.1. Central Bank of Jordan
 - 2.2. Ministry of planning and international cooperation
 - 2.3. Ministry of industry and trade
 - 2.4. Ministry of finance
 - 2.5. Jordan loan guarantee corporation
3. **Consultative invited members:** will be Invited according to the topic discussed:
 - 3.1. Donors
 - 3.2. Incubators
 - 3.3. SME associations
 - 3.4. Legal advisors
 - 3.5. Representatives of SME sectors according to the topic discussed.
4. **Observers**
 - 4.1. AECID
 - 4.2. Central Bank

APPENDIX B – LIST OF TENTATIVE STUDIES AND SURVEYS TO BE UNDERTAKEN AND ESTIMATED WORKLOAD AND BUDGET

- Inclusive diagnosis of existing SME access to finance studies and surveys conducted in Jordan.
- Benchmarking SME financing promotion policies in the Med countries and beyond
- Factoring: identifying regulatory body and finding a legal and tax environment in line with international best practices.
- SME revolving financing needs (sector tailored: manufacturing, services and trade).
- A guide on SMEs Access to finance.
- Prudential ratios in relation to SME financing.
- Setting up of a moveable collateral registry.
- Role of banks in developing mutual guarantee schemes.
- Study on establishing a reliable credit bureau.
- SMEs Credit scoring systems (requirements diagnosis and establishing).
- Establishing an SME financing fund. (Environment diagnosis and implementation).
- Government regulations imposed on banks SME lending process (SME definition, provisioning, taxing, etc) compared to international best practices and governmental incentives.
- Banks SME tailored products.
- Updated study about the venture capital funds operating in Jordan and regional and international venture capital funds targeting Jordan (fund's size, investment strategy)
- A study on International and Regional Trends in venture capital for the past few years and an outlook for the future
- Identifying a list of Angel Investors (investment size, targeted sectors, investment period)
- A proposal on the establishment of a National Venture Capital Association adopting the international best practices and guidelines (the proposal to include: advantages of having an association, hosting body, and guidelines)
- A study on the economic impact of venture backed companies, including overall job creation, revenue creation and innovation over the past 5-10 years