



Ministry of Foreign Affairs of the Netherlands

Dutch Good Growth Fund

DGGF increases support to small businesses in Jordan

The Dutch Good Growth Fund (DGGF) track 'financing local SMEs through investment funds', which a consortium of Triple Jump and PricewaterhouseCoopers manage on behalf of the Dutch Ministry of Foreign Affairs, has just announced it is supporting Liwwa, Jordan's first digital lender catered to small businesses.

The DGGF aims to improve access to finance for underserved SMEs, as these businesses form a crucial part of the economies of emerging countries. Limited access to finance for these SMEs is commonly seen as a main barrier to growth.

In Jordan, SMEs are the primary engine of jobs in the economy, employing up to 65% of the labor force. However, with up to 3 out of 4 enterprises facing obstacles to accessing finance, the "missing middle" gap is pronounced.

Liwwa represents the DGGF's third investment in Jordan, in addition to its loan of USD 7 million in JOD to financial institution Sanadcom in June this year and a USD 3 million investment in the Grofin Noumou Fund, one of the pioneers in mezzanine SME financing.

Liwwa

Established in 2015, Liwwa offers affordable, unsecured loans in local currency equivalent to USD 7-70 thousand that are tenured between 3-36 months for trade and asset financing. Shortage of credit histories and collateral, and high transactions costs are amongst the factors prohibiting traditional financial intermediaries from serving the SME segment. By leveraging digital platforms and data-driven approaches, Liwwa streamlines onboarding and assessment processes and builds a structured credit rating tool to circumvent the conventional obstacles to SME lending. The loan application process takes place entirely online; the resulting product enables borrowers to receive credit decisions within 48-hours and a competitive, risk based pricing. The product is based on Islamic financing principles.

Through the Seed Capital and Business Development (SCBD) program, DGGF aims to fuel Liwwa's growth and its ability to attract larger investments from local and international sources. In doing so, the facility deployed by SCBD will blend debt capital to contribute to portfolio expansion with technical assistance aimed at enabling Liwwa to enhance its product and risk management capabilities.

Ahmed Moor, CEO of Liwwa: "Triple Jump (fund manager of DGGF) has been an extraordinary partner for Liwwa. While the resources underpinning the transaction will contribute greatly to our viability, DGGF's focus on strengthening our institutional competencies and capabilities will ensure our long term profitability and stability".



Amina, owner of Green Fields Oil factory, acquired a new distillery with a USD 10 thousand loan from Liwwa.

More information: <https://www.liwwa.com/>

Sanadcom

Earlier this year, the DGGF committed a USD 7 million loan to financial institution Sanadcom. Established in late 2016, this fully dedicated SME lender in Jordan has its headquarters in Amman, and branches in Irbid and Zarqa. The company is a spin-off from MicroFund for Women (MFW), a leading microfinance institution in Jordan. The SME loans that Sanadcom provides range between USD 15 and 100 thousand and finance working capital needs and fixed assets (equipment and machinery) for SMEs. These SMEs have higher financing needs than what is provided by microfinance institutions but at the same time do not meet collateral-or other requirements imposed by banks.

General manager Mr. Raed Qafiti: "DGGF loan gave us the opportunity to expand our finance offerings for small and medium enterprises in Jordan. This will drastically help Sanadcom in creating a suitable and wide range of financing environment together with its social mission, which in turn will meet the growing needs of the SME sector."

It is expected that the DGGF loan will finance approximately 156 SMEs, many of which are owned by young or female entrepreneurs. Being the first external lender of essentially a start-up institution, DGGF is taking higher risk than other lenders, and allows Sanadcom to scale its portfolio faster than it would otherwise be able to. DGGF's funding is also expected to catalyze funding from other sources.

More information: <http://sanadcomjo.com/homeEn.aspx>

GroFin Nomou Jordan

From its start in 2015, DGGF has partnered with GroFin, a pan-African and MENA manager pioneering mezzanine financing to SMEs. GroFin set up operations in Jordan in 2012, seeing the country as core to development of the Middle East. Similar to GroFin's operations in Africa, GroFin Jordan extends long-term debt financing to small businesses which need riskier capital and more value-add services (e.g. business support) than traditional banks can provide, while they are too small to get financing from private equity funds. DGGF provided a USD 3 million loan to GroFin Jordan in June 2016.

GroFin Jordan provides loans between USD 150 thousand and 2 million. Loans are balanced across sectors, the top three are: manufacturing (39%), medical services (19%) and food & beverage (16%). GroFin Jordan has recently developed a new Shariah-compliant product. This product avoids interest payments, and instead SMEs pay installments for fixed assets that GroFin Jordan has financed. In addition, GroFin Jordan provides a range of pre-investment business support services such as review and guidance on business plans, thereby reaching a greater number of SMEs. Over 150 local companies have received business support from GroFin Jordan to date. Of these, the most promising SMEs are selected to receive financing from GroFin Jordan.

GroFin Jordan is a 'high risk-high impact' initiative and as such needs investors with greater risk tolerance such as DGGF to further expand its financing to SMEs in the country. Through the investment in GroFin Jordan DGGF is expected to reach out to a significant number of SMEs, generate employment growth, and stimulate significant transfer of knowledge to SMEs via the business support and development services provided by GroFin.

More information: <http://www.nomou-mena.com/>