

Loan Program Operational Guideline
(Income Generating Project)

**JOHUD/SDD - JICA/Family Planning and Gender in
Development Project (2001-2003)**

As of February 2002

Table of Contents

ACRONYMS..... 161

1. INTRODUCTION..... 162

2. THE DUTIES AND ROLES OF JICA/FP/GID PROJECT AND JOHUD/SDD..... 163

3. THE ROLE OF THE LOCAL CREDIT COMMITTEE..... 166

4. LENDING CRITERIA..... 168

5. APPLICATION PROCEDURES AND PROCESS..... 171

6. PROCESS OF LOAN APPROVAL..... 173

7. MANAGING AND DOCUMENTING THE LOANS PROGRESS..... 175

ANNEXES..... 178

Acronyms

CDC: Community Development Center of JOHUD

FP/GID Project: Family Planning and Gender in Development Project

JOHUD: Jordanian Hashemite Fund for Human Development

LCC: Local Credit Committee (belonging to JOHUD scheme)

SDD: Social Development Department of JOHUD

1. Introduction

Family Planning and Gender in Development Project (hereafter called FP/GID Project) adopted an innovative approach to incorporate gender in development perspective into family planning promotion, and identify income generating projects as means to incorporate the target population into family planning activities. The project provides equipment (first cycle) and reissues the cash (second cycle and afterwards) for the target population as loans, this being part and in accord with the projects' following objectives:

- ◆ Avail self-employment opportunities and income for women
- ◆ Empowerment of women (gender) and build up their self-esteem
- ◆ Promote women's participation in social activities
- ◆ Enhance the capacity and capability of the JOHUD's Community Development Centers (hereafter called CDCs) and Local Credit Committee (hereafter called LCCs) to manage the income-generating projects (loan program)

This Loan Program Operational Guideline has been prepared as part of an ongoing income generating activities. The aim is to describe duties, roles and responsibilities of the parties concerned, as well as to establish operational procedures and to formulate a common platform for all the project staff to follow as it pertains to effective implementation of the income-generating projects. In pursuance of this Guideline, FP/GID project's personnel, in joint partnership with the JOHUD/SDD, CDCs and LCCs, will perform ongoing monitoring and evaluation of IG activities. This is primarily intended for the use of those responsible for implementing the loan program. However, the material is also relevant to those at the managerial level of both JICA and JOHUD.

The Guideline will be revised continuously to reflect lessons and experiences learned from the actual implementation of the Project. Further revision is expected to enable JOHUD/SDD and JICA Jordan Office to reach a final agreement on the future of this component when ownership of FP/GID Project will be transferred to local partners by June 2003.

Family Planning and Gender in Development Project
February 2002

2. The duties and roles of JICA/FP/GID Project and JOHUD/SDD

The duties and roles of JICA/FP/GID and JOHUD/SDD are as follows.

JICA:

1. JICA will provide funds (in kind) to cover income-generating project's capital cost and implementation expenses.
2. JICA will assist beneficiaries¹, JOHUD staff, and CDC staff with technical advice and training as appropriate and as identified by FP/GID Project to maximize the benefits from the project.

The JOHUD/SDD:

1. JOHUD/SDD will coordinate and cooperate with JICA and/or any sub-contractor (appointed by JOHUD/SDD and approved by JICA), with respect to all aspects of the Project.
2. JOHUD/SDD will provide proper and secure facilities and locations for the administration and implementation of the project, as needed and agreed upon between JICA and JOHUD.
3. JOHUD/SDD will insure that the assets of the Project will not be used or utilized for any other purpose than those of the Project. JOHUD/SDD, its employees, volunteers and the beneficiaries will abide to this strictly.
4. JOHUD/SDD will submit monthly reports on the Project's progress to the Chief Technical Advisor (JICA) and will, upon request, provide access to all of the Project's accounts, records, documents and project files.
5. It is agreed that upon the completion of the project and transfer of its ownership to JOHUD (SDD, CDCs, LCCs), JOHUD/SDD and CDCs/LCCs will reinvest the

¹ We call women take loans from the Project as "beneficiary", instead of "loan recipient" or "borrower".

project's funds through future implementation and funding of income generating projects.

6. JOHUD will establish "Revolving Credit Funds" at the level of respective CDCs /LCCs (Karak LCC, Muta LCC, Qatrana LCC, Faqu' LCC) and Project's appointed committees (Rabbeh LCC and Ayy LCC). These revolving credit funds will not be used for any other objective than the Revolving Credit Funds. These will not be transferred to any other areas.
7. At such future times, quarterly financial reports will be provided to Chief Technical Advisor (JICA) and JICA Jordan office.

Both JICA/FP/GID Project and JOHUD/SDD:

1. Both, JOHUD/SDD and JICA will consult each other before taking any decision regarding any points not specifically included in, or covered by, the contents of this Guideline.
2. JOHUD/SDD and JICA will take necessary measures to open special FP/GID Project bank accounts for the following for FP/GID Project's areas: Karak, Mu'ta, Faqu', Rabbeh, Ay and Qatrana, respectively. All repayments from loans should be deposited into the respective account directly, including those deducted from the salaries of the guarantor or beneficiary. For FP/GID phase 1, the Ghor As-Safi FP/GID Project bank account has been opened and repayments have been deposited
3. The process of issuing the loan is as follows: (for details see chapter 5 and 6):

First cycle (initial capital as equipment provided by JICA):

- ◆ Based on the respective recommendations of LCCs, JOHUD/SDD approval, JICA will provide the loan recipients (through JOHUD/SDD) with equipment and/or material.

Second cycle and over (based on the repayment of the first cycle) loans will be reissued according to the following procedures:

- ◆ Candidate beneficiaries apply for the loan on basis of their own business plan.
 - ◆ Based on the respective LCCs recommendations, JOHUD/SDD and Project will approve the issuance of the loans from funds of the respective FP/GID Project bank accounts.
 - ◆ Chief Technical Advisor (JICA) should also approve the loan application. As agreed by both parties, checks issued to the beneficiaries will be signed jointly by authorized senior JOHUD staff members.
4. The Project is implemented according to the “Loan Program Operational Guidelines” agreed upon by Chief Technical Advisor (JICA), Director of JOHUD/SDD and CDC/LCC (Attached Guideline with this document).

It is assumed that the terms of the Guideline and all the attachments do not contradict with the laws, regulations and instructions currently in force in the Hashemite Kingdom of Jordan.

JICA will not be held legally or criminally liable as a result of any matter that may arise from the implementation or enactment of this Guideline and attachments. All attachments that are approved by JICA and the JOHUD/SDD are also integral parts of this Guideline.

3. The role of the Local Credit Committee

The Local Credit Committee's role is to facilitate the community participation in the planning, management and implementation of income generating projects (loan program).

3.1 Members and role of the Local Credit Committee:

At each location, "the Local Credit Committee" (LCC) will consist of the following members and observers:

Members

- ♦ The Rural Leader of the CDC or Program's Coordinator at the main CDC
- ♦ Two members from the CDC Voluntary Women's Committee
- ♦ Representative of the local society or community based organization

The role of Local Credit Committee is to:

- ♦ Facilitate the loan application, and decide on application and follow up on approval
- ♦ Manage the routine record-keeping and paper work
- ♦ Supervise and follow up of income generating projects (beneficiaries and repayment)

3.2 Observers and their Role

Observers

- ♦ The supervisor of the region from JOHUD/SDD
- ♦ The director of the main CDC of the region
- ♦ JICA/Income Generating Expert and his/her counterpart of JOHUD

The role of the Local Credit Committee's observers:

- ◆ The observers will be informed and witnesses of the following: the progress of loan applications, the issuance of the loans, the development of the financed projects, repayments on the loans and re-issuance of new loans.
- ◆ They also have the full right to follow up on the status of any loan or activities carried out by the LCC. Although they are only observers within the LCCs, they have the right as a group or as individuals to raise their opinions or remarks to JOHUD/SDD director and/or Chief Technical Advisor (JICA).

4. Lending Criteria

This section shows the condition of lending criteria.

Targeted beneficiaries

- ♦ Married women at the reproductive age with 18-49
- ♦ Women who are willing and capable to manage their projects
- ♦ Priority is for women who participate in the other activities of FP/GID Project

Criteria of the lending should be conformed to the income-generating project's objectives:

- 1) Avail self-employment opportunities and income for women
- 2) Promote awareness of empowerment and self-esteem
- 3) Enhance women's participation in social and developmental activities

Size of Loan (Ceiling and minimum amount)

- ♦ The ceiling of the loan: J.D.1, 000 (One thousand)
- ♦ The minimum amount of loan: J.D. 300 (Three hundred)
- ♦ Exceptions to this are loans below J.D. 300, which are issued in special cases with different criteria and after the approval of JOHUD/SDD Director and Chief Technical Advisor (JICA).

Grace period

Grace periods may be granted up to four months depending on to the nature of the project.

Loan duration

The maximum period of repayment is three years including the grace period.

Administration fees

An administration fee of 8% (flat interest) annually will be implemented. The amounts

earned from this will be kept in the project-designated account, in order to enable the respective LCCs to maintain and promote the project. The income earned from the loans would be allocated for one or more of the following objectives:

- ◆ To increase the capital fund available for the loans at their designated locations; centers or communities' local committees and/or societies.
- ◆ Income / profit generated from extended loans can also be used to maintain / promote activities related to the management of the income-generating project (FP/GID project), such as miscellaneous expenses related to technical training and/or supply of needed medicines etc. CDCs/LCCs will recommend such requests that need cash withdrawal.
- ◆ Such activity or equipment should be part of the FP/GID income-generating project.
- ◆ The decision on the recommendations of the above will be within the joint authority of JOHUD/SDD and Chief Technical Advisor (JICA).

Guarantor and collaterals

The beneficiaries should provide one or more of the following guarantors:

- ◆ A guarantor who is a governmental or public enterprise employee, who in turn agrees to the deduction of the monthly installment payment from his/her salary for the duration of the loan period
- ◆ A retired employee who agrees to the deduction of the monthly installment payment from his/her pension for the duration of the loan period
- ◆ A contracted employee who agrees to the deduction of the monthly installment payment from his/her salary for the duration of the loan period
- ◆ An employee of an enterprise who agree to transfer his/her salary to a bank for monthly deduction of installment payment for the duration of the loan
- ◆ A personal guarantor and/or the guarantor of the LCC, if the loan value dose not exceed J.D. 300 (three hundred)

Certain beneficiaries may be exempted from providing stated guarantees and may be issued a loan from the program conditional to the recommendation of LCC and approval of SDD and Chief Technical Advisor (JICA). Such approval is usually granted on the following basis:

- ◆ Her participation and motivation levels during the awareness raising

seminars and income generating training sessions, conducted by the Project, proved her qualification to manage the project and her intent to abide by its terms.

- ◆ Her motivation to receive a loan for an income-generation project is recognized as strong and committal. She is known personally by one or more member of the LCC who can attest for her need and commitment.

Beneficiaries' Files

The file of the beneficiary should include the following documents:

- ◆ Initial application showing the social status of beneficiary and decision of the LCC
- ◆ Loan application
- ◆ Copies of the following: Copy of the Family Book (issued by the government with the details pertaining to parents and children) and certificates of work or technical experience (if applicable)
- ◆ Declaration regarding other loans or affidavit showing that application has no outstanding loans are owed or acting in the capacity of a guarantor for others.
- ◆ Approved letter of salary deduction and response from relative entity (if applicable)
- ◆ Personal guarantor/group guarantor/legal guarantor (one of them according to agreement)
- ◆ Price quotation for items required (if applicable)
- ◆ Loan contract
- ◆ Promissory notes
- ◆ Photocopy of checks and/or receipt document
- ◆ Loan payment schedule
- ◆ Reports of follow up/monitoring/evaluations: need to keep the progress sheet at the respective CDC and equivalent society.

Copies of beneficiary's file should be kept by:

- ◆ The local CDC /LCC where the beneficiary received the loan
- ◆ JOHUD/SDD (original copy)
- ◆ FP/GID Project

5. Application Procedures and Process

The purpose of this section is to explain the application procedures followed by applicants / beneficiaries (see also figure 1).

1. Interested beneficiaries should contact JOHUD's CDC or LCC in their area to receive copy of the loan process and criteria.
2. The applicant submits an **initial application** (one page) to the CDCs/LCCs. This shows the social and economic status of the applicant as well as the project proposed. It serves to determine whether the applicant meets the basic criteria of the targeted population.
3. If the initial application is approved (**initial qualification approval**), the applicant will buy a **formal loan application** for J.D.1.
4. Applicants will duly and completely fill the **formal loan application**; it shows all information related to the project and the guarantees. It is submitted to the CDC Rural Leader/ LCC with the written affidavit stating that the applicant is not a beneficiary or guarantor of other loans.
5. One or more member of the LCC (sometimes with a member of LCC observer) will interview the applicant. The aim is to physically check information provided and discuss details of proposed project, guarantees and to be advised of additional documents needed.
6. Upon approval of the formal loan application (**formal approval**), applicant submits the required documents relating to the guarantee as specified by the LCC and identified under chapter 5 (Guarantees and collateral).
7. The beneficiary should sign promissory notes for the total amount of the loan. She should also present three price quotations for the materials needed with the names and addresses of the potential vendors (preferably from local vendors and according to project type). The complete file is sent to JOHUD/SDD and Chief Technical Advisor (JICA) for **final approval**.

8. Upon approval of JOHUD/SDD and FP/GID, the beneficiary receives the check from the LCC or participates in the **process of buying the items of the project**. She will sign a receipt statement showing all items purchased (according to the nature of the project).
9. The beneficiary commences **repayment of the loan** according to the schedule agreed on in the file. Official receipts for payments will be issued by the LCC. These are in turn registered on accounting sheet in her file and monthly reports as well.
10. After receiving the project and initiating operations, the beneficiary should contact the CDC/LCC to inform on the progress of the project. LCC members and JOHUD/SDD and FP/GID project staff monitor the progress of the individual project.

6. Process of Loan Approval

The following shows the flowchart of approval process (see also figure 1).

1. The LCC evaluates **the initial application** and decides whether the applicant meets the criteria. The evaluation on this level concentrates on condition of applicant and whether the interest is genuine and general appraisal of potential management of the project (**initial credibility approval**).
2. If approved, the applicant buys an **official application** form for the nominal value of JD 1. The applicant is informed that submitting an application does not necessarily mean or indicate, by any means, approval to grant the loan.
3. A member or more of the LCC evaluate **the official application** through a visit to the location of the project and the applicant's residence (**evaluate the applicant**). The initial evaluation of the visit is documented through a report attached with the application.
4. The LCC as a committee evaluates the application during its meeting. LCC holds meetings at least once every two weeks to review all submitted applications at that time and other related topics. It keeps official minutes of the meeting and all members of the LCC should sign the documented records. The LCC should show, in its decision, the reasons for approval or disapproval.
5. Based on the LCC recommendation / decision, the accountant, the IG expert and her counterpart(s) examine the documents and send them to JOHUD/SDD Department with all related documents, including the loan agreement and promissory notes.
6. JOHUD/SDD area supervisor (observer in the LCC) forwards the applications to the Director of JOHUD/SDD. The JOHUD/SDD director forwards a copy to Chief Technical Advisor (JICA).
7. JOHUD SDD Director in consultation with Chief Technical Advisor (JICA) makes a **final official decision**. The decision will be based on an extensive study of the

applicant and the proposed project.

8. After authorizing the issuance of the loan, the check (issued by FP/GID project) is delivered to the beneficiary or to the merchant/company concerned with the procurement of the material/equipment. The beneficiary signs the receipt forms that will be kept in JOHUD as beneficiary's file. The authorized JOHUD senior management members sign checks issued from repayments of the loans to new beneficiaries.

7. Managing and Documenting the Loans Progress

This section shows the basics of the financial accounting, reporting and management.

7.1 Organizing Credit Records

Each CDC/LCC will open ledgers and files relating to the FP/GID credit program. These include the following:

- 1. Independent file for each applicant**
- 2. An independent file for each beneficiary after approval and disbursement of loan that contains the following:**
 - ◆ All documents stated above with application
 - ◆ Schedule of repayments
 - ◆ Method of repayment
 - ◆ Name of entity to transfer monthly installment (if applicable)
 - ◆ Name of guarantor, telephone and address
 - ◆ Name of person from LCC or CDC that is delegated to follow on project and collection of repayments
 - ◆ Statement of accounts (Beneficiary card) showing opening balance, payments due, balance and delinquency in amounts and number of payments (if applicable) according to dates
 - ◆ Copies of receipts of payments
- 3. Monthly Ledger showing the following:**
 - ◆ Monthly statement showing current balance, payments made during the month, total amount collected and delinquent balances and total due from beneficiaries
 - ◆ Value of the total loan project including percentage of administration charges (interest rate)
 - ◆ Errata of total delinquent payments over 30 days
 - ◆ Copy of monthly statement from Bank for each LCC account
 - ◆ Reconciliation sheets between different branches and accounts within

JOHUD

- ◆ Reconciliation sheet between CDC account and bank account

4. General Records:

- ◆ Complete list of beneficiaries with addresses
- ◆ Level of each beneficiary's educational attainment and classification of total
- ◆ Occupation of each beneficiary
- ◆ Type of project of each beneficiary
- ◆ Percentages of types of projects (agricultural, services, commercial etc.)
- ◆ Classification of age brackets
- ◆ Progress sheet of each project

7.2 Accounting

The process of accountancy documentation passes through three levels:

1. First level: CDC/LCC Level

The LCC prepares the following:

1. Bank receipts showing all deposits made by the beneficiaries as repayments
2. Bank documents showing any withdrawal for expenses or transfers
3. Bank monthly statement of account
4. Monthly statement of each beneficiary showing value of loan, administrative charges (interest) on loan, amount due from beneficiary, amounts paid by beneficiary and balance.
5. Monthly statement of all beneficiaries showing name, amount of each loan, amount paid on it, amount due and balances as well as the summation of all these.
6. The Rural Leader sends these documents on behalf of the CDC/LCC to the main center in the administrative area.

2. Second Level: Main Center of CDC

1. The accountant of main center reviews the documents sent by CDC/LCC and

enters any corrections necessary (informing the CDC/LCC in the case there are some)

2. The accountant of main center enters double entries accountancy system that show: the initial value of the loans and their total sum, the interest generated up to that date, expenses and other revenues if existing.
3. The accountant of main center prepares a monthly trial balance and sends it to JOHUD/SDD with the approval of main center director.

3. Third Level: JOHUD/SDD

1. JOHUD/SDD accountants check the reports to verify both financial statements and financial entries, and document them showing balances of that month.
2. JOHUD/SDD accountants prepare monthly report of all credit programs to JOHUD/SDD Director.
3. JOHUD/SDD accountants prepare monthly statements showing general records items (see under Managing and Documenting Loans Progress)
4. JOHUD/SDD accountants prepare quarterly reports of all credit schemes implemented by JOHUD/SDD and are sent to: JOHUD's Executive Director, Director of Internal Auditing and Financial Analysis, Director of SBDC and Director of Monitoring and Evaluation Unit at JOHUD.
5. At the end of the year JOHUD/SDD's accountants prepare the following: Profit and Loss Account, General Budget of each credit program, and report on total credit programs implemented through JOHUD/SDD.
6. Director of JOHUD/SDD provides Chief Technical Advisor of FP/GID Project with copies of reports under 2,3 and 4 as pertaining to the credit program of FP/GID Project.

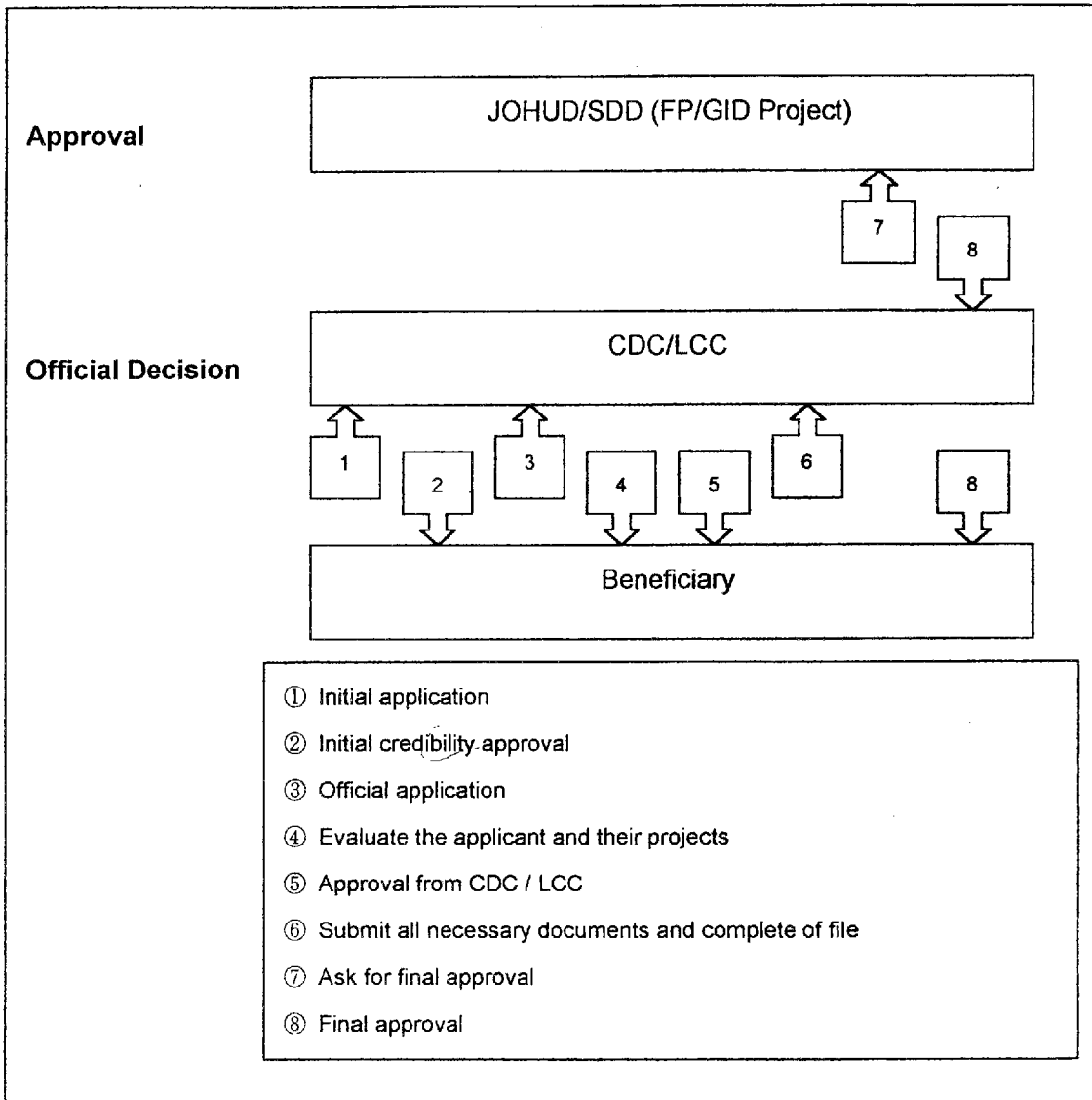


Figure 1 Flowchart of application and approval process

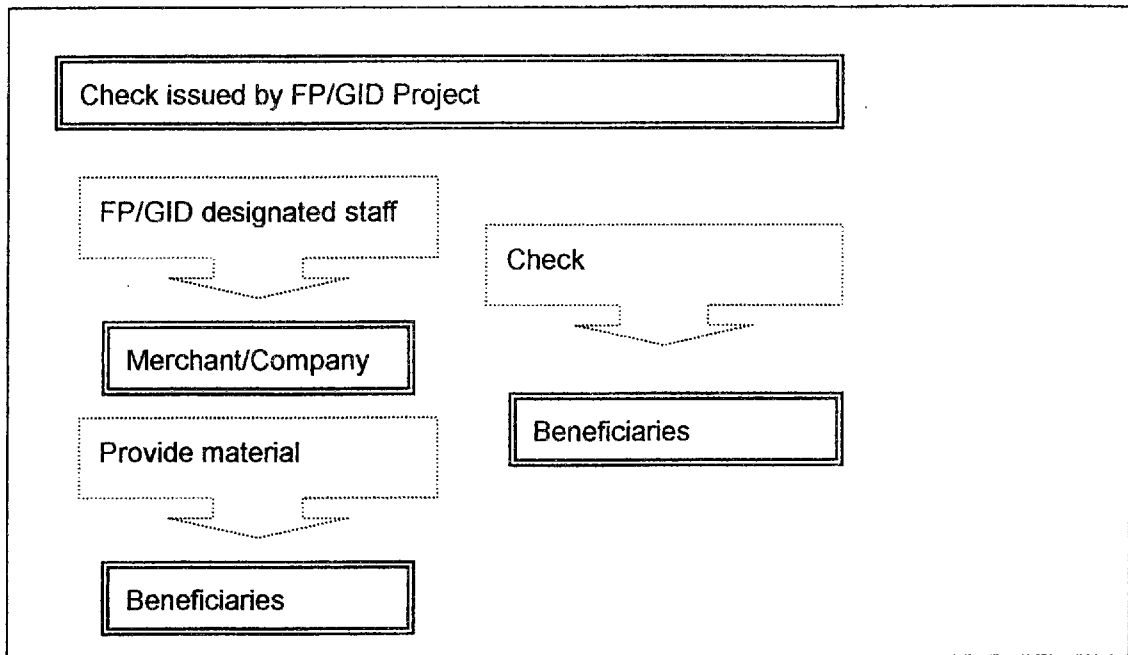


Figure 2 Process of purchasing the items of the project (second cycle and over)