

Jordan Affordable Housing Programme

Report

March 2015



UN HABITAT
FOR A BETTER URBAN FUTURE



Schweizerische Eidgenossenschaft
Confédération suisse
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Forward by UN-Habitat

UN-Habitat is pleased to continue its ongoing collaboration with the Ministry of Public Works and Housing, and Housing and Urban Development Cooperation and other partners to address the shortage of affordable housing in Jordan.

Jordan has had a persistent lack of affordable housing for lower income Jordanian families. The median price for a house on the market today is well above the reach of lower middle income Jordanians. Although the Jordanian construction sector is strong, delivery of housing supply has not been well aligned with demand, leading to an oversupply at the middle and upper end of the market but a lack of affordable housing for the lower middle and lower income market. The refugee crisis has worsened an already existing affordable housing shortage.

Since the onset of the Syrian crisis, there has been no scaled response either from the private sector or the Government to provide a much-needed increase in affordable housing supply. As a result, rents have been rising and many Jordanian families are living in over-crowded and poor quality accommodation.

In response, UN-Habitat, together with the Ministry of Public Works and Housing, is implementing the Jordan Affordable Housing Programme (“JAH Programme”); a predominantly Private Sector funded solution that combines the strength of Jordanian developers, local commercial banks and the credit capacity of Jordanian families in the host community interested to make an incremental investment in property. The JAH Programme will be implemented over two phases and it will offer ordinary Jordanian citizens an entry-level property investment opportunity at the same time as providing affordable rental housing for vulnerable Jordanians and Syrian Refugees.

In Phase I, the programme will first improve stakeholder understanding of the housing market and the affordable housing sector more specifically. The JAH programme was designed around a set of assumptions related to affordable housing demand, renter need, construction sector capacity, financial sector liquidity and government support. In order to confirm and fine-tune our assumptions and best design the programme going forward, UN-Habitat has been working over the past 3 months on an analysis of four key areas: Demand, Supply, Financial Sector, and Refugees.

This report is a synthesis of the results of that analysis and provides an explanation of the findings, as well as an analysis of how those findings allow us to develop the most suitable Jordan Affordable Housing Programme going forward.

UN-Habitat is well placed to assist the Government of Jordan in addressing the housing challenges in Jordan and remains committed to do so.

Iman Zaki Abdel Hamid

Head of UN-Habitat Jordan Programme

Jordan Affordable Housing Headlines

Based on a population of 4.74 million Jordanians, or 850,000 households, covering East Amman, Balqa, Irbid, Jerash, Karak, Madaba, Mafraq and Zarqa, and excluding Central Amman

- **58%** of Jordanians say they would be satisfied with a small, 2 room house **if it cost 15,000 JD.**
- **59%** of Jordanians would be willing to live in a small, 2 room house if it could be **expanded in future.**
- This equates to **close to 500,000 households¹** satisfied and willing to live in a smaller house if the price was right, and if there was option to expand the house.
- **27%** of Jordanians (more than 230,000 households) **live in rented accommodation**, and **88%** of them say that the cost of **housing** prevents them from finding a suitable home.
- **85%** of Jordanian households make more than 300 JD per month; **43%, or 365,000 households** make between **300 JD and 500 JD** per month.

- Jordanians **willing to build or buy a house** is **272,000** household (32%). **46%** of those have a salary between **300 – 500 JD** per month (125,000 households)
- **31%** of Jordanians in the 8 governorates work for the public sector or army; **13%** are private sector employees and **22%** are self-employed or have their own business.
- Average **rent** paid by **Jordanians is 149 JD and Syrians 144 JD per month.**
- **Jordanians** consider **118 JD** to be an affordable monthly payment for a housing loan, as compared to **89 JD** per month for **Syrians.**
- Syrians account for **14.3%** of the population across the 8 governorates, or **840,000** people. All Syrians interviewed, except one family, indicated they are refugees.

- **92%** of Syrians can be found in 4 governorates: **Irbid, East Amman, Mafraq and Zarqa**
- Only **15%** of Syrian households consider themselves to be **unemployed.**
- Average **house sizes** for Jordanians are **145 sqm**, compared to **102 sqm** for Syrians.
- **39%** of Jordanian households have **2 or more adult males** living in the same household – over 330,000 households.

¹ Average household size is 5.57 persons using weighted average DOS statistics, Government of Jordan estimates, 2013.

- **13%** of Jordanians (107,000 households) who said they wished to build or buy another home said they **were likely to change their house within the year**.
- **80%** of Jordanians are “**banked**”.

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Executive Summary

The Jordan Affordable Housing Programme, funded by the Governments of Switzerland (USD 1,050,205 as per the contribution agreement signed on 16/Nov/2014) and Denmark (USD 200,000, as per the contribution agreement signed on the 18/Sep/2014) was initiated in November 2014. The programme is included in the adopted National Resilience Plan (2014-2017) and Jordan Response Plan 2015. It is a large-scale, private sector affordable housing solution for both lower income Jordanians (through increased affordable housing supply) as well as refugee populations (through increased quality rental housing).

The outlook for a successful affordable housing programme in Jordan is very promising. The field work, analysis and inquiry undertaken by UN-Habitat Jordan program, working together with the Ministry of Public Works and Housing, has confirmed initial programme assumptions and has allowed us to gather substantial information in support of the JAH programme.

The Demand Survey and our work to date have confirmed the following:

- The willingness to buy a smaller-sized affordable house and the ability to pay for it in the lower-middle income target market;
- It should be possible to build a house of 65 sqm at a price of 12,000 JD;
- Sufficient suitable land is available to buy at a minimum of 10 - 20 JD / sqm from private landowners in governorates (outside Central Amman);
- If there is strong demand from buyers and the housing finance to go with it, there is developer interest to move into low-income housing;
- The financial sector in Jordan has ample capacity and has confirmed its interest to work towards providing the needed financing;
- Municipalities, especially those with large refugee populations, are willing to participate in a programme that will alleviate housing shortages, and;
- Large numbers of refugees are living and working informally in urban areas and are seeking improved access to increased rental housing.

In short, a set of favourable conditions exist in Jordan at present such that the Jordan Affordable Housing programme can and should succeed. If it does, JAH stands to be a ground-breaking programme in the region and can potentially deliver significant positive benefits beyond the provision of housing alone and into economic development, urban planning and refugee / Jordanian relations.

The programme faces certain challenges with regard to perception. In addition there were common misunderstandings – misconceptions – about housing in Jordan identified below:

1. No one wants to live in a house smaller than 120 sqm;
2. Low-income households (JOD 300-500/month) are not bankable;
3. Jordanians, especially low-income, will only borrow on Islamic principles;
4. Low-income households cannot afford housing loans without (interest rate) subsidies;
5. Land is too expensive – so Government must provide free land for low-income housing;
6. Jordanians do not want to rent their housing to foreigners or non-family members, and;
7. Government-led subsidised housing schemes have not succeeded, so private sector schemes using market based mechanisms can never work.

For each of the “misconceptions” listed above, we have undertaken specific work to determine that these are either not true, or will be overcome in the work we will complete in the months ahead.

In order to take this project forward through 2015, significant work needs to be done on the following fronts:

- a. Supply side delivery: working with national government, municipalities, developers, construction companies, engineers and investors associations to enable and encourage housing delivery, , that supports urban development in Jordan;
- b. Financial sector participation: through the development of financial institution partnerships, appropriate loan products, client identification, borrower education and support programmes and financial structuring of the programme;
- c. Design and delivery of demonstration houses;
- d. Implementation of marketing campaigns to secure participation of purchasers and developers;
- e. Rental Housing for Refugees: Working with UNHCR and others on design of incentives and programme structure, and;
- f. Phase 2 JAH programme business plan and operational procedures development and negotiation and execution of legal agreements, and agreement on role and structure for JAH entity.

Some of the above items remain unfunded; fundraising efforts to fill the Phase 1 gap are ongoing. Approximately \$500,000 is needed to complete the work required in 2015 related to borrower education and support programmes, municipal capacity building, assessing implications for long-term Govt housing policy, JAH operational procedures and programme business plan and operations development and negotiation and execution of legal agreements between all participants in the structure, including banks, developers, municipalities, buyers, tenants, etc.

Fundraising efforts are also required for Phase 2: \$4 - \$5 million to set up, staff and fund the JAH entity (which may be operational for up to 10 years) if the entity is non-revenue generating. If the entity is able to charge fees for service, it will likely require a smaller amount of seed capital and would be expected to be self-sustaining within the first two years of operation. Where donors wish to support refugee rental housing, or incentivize landlords to rent to refugees; there may be other funding requirements, depending on the programme of intervention.

To do this, the JAH programme will need a strong implementation team, positive support from the Advisory Committee and a government champion.

Introduction and Background

UN-HABITAT has been working closely with the Government of Jordan and other partners in support of efforts to deal with the current refugee crisis that has resulted from conflict and insecurity in neighboring countries. This refugee crisis is severely straining the absorption capacity of the Jordanian housing market. The number of Syrians living in Jordan in October 2014 is estimated at around 1.4 million, of which 750,000 were in Jordan before March 2011, and approximately 650,000 are registered refugees. The Jordanian housing sector, meanwhile, has produced an annual average of 28,600 units during the period 2004-11, against an annual demand of 32,000 units. The price range of new housing units has been between JD 40,000 and JD 60,000 – with an average price of JD 45,000 – making them

unaffordable to low- and lower-middle income groups.² As a result, rental has been the main source of affordable housing for low-income and vulnerable families.

At the same time, and even before the refugee crisis, Jordan has had a persistent lack of affordable housing for ordinary Jordanian families. Although the Jordanian construction sector is relatively strong, the delivery of housing supply is not well aligned with demand, leading to an oversupply at the middle and upper end of the market but a lack of affordable housing for the lower middle and lower income market. The refugee crisis has, then, worsened an already existing problem.

Since the onset of the crisis, the supply side response to lack of affordable residential units has included: increasing rental prices, sub-division of existing units, conversion of outbuildings into rental accommodation, and some limited construction by individuals. But there has been no scaled response either from the private sector or the Government. And since they are competing for the same limited affordable housing units, tensions between the refugee and host communities are growing.

In response, UN-Habitat, together with the Ministry of Public Works and Housing, is implementing the Jordan Affordable Housing programme (JAH): a predominantly private sector funded solution that combines the strength of Jordanian developers, local commercial banks and the credit capacity of Jordanian families in the host community interested to make an incremental investment in property. The JAH programme has the potential to diffuse tensions between Jordanians and refugees by allowing ordinary Jordanian citizens a property investment opportunity at the same time as providing affordable rental housing for vulnerable Jordanians and refugees.

Objectives

The Jordan Affordable Housing programme aims to deliver 30,000 small-sized housing units priced 15,000 JD per unit that can be purchased by Jordanian families earning between 300 and 500 JD per month. The units will be designed such that they can be expanded in future, or merged together over time (for units built side by side). Refugees and vulnerable Jordanian families would have access to those units that are made available by the buyers (through the JAH entity³) on a market rental basis. This is a large-scale solution for both lower-middle income Jordanians (through increased affordable housing supply) as well as refugee populations (through increased quality rental housing).

JAH will help enable the delivery of both the housing units (supply side) and the mortgage finance (demand side). It will raise the entire build cost from private sector capital (up to JD 450 million or \$600 million for the delivery of 30,000 housing units) and as such will be an excellent example of successful private-sector partnership.

This Report

The JAH programme was designed around a set of assumptions related to affordable housing demand (need as well as ability to pay), renter need, construction sector capacity, financial sector liquidity and government support. In order to confirm and fine-tune our assumptions and best design the programme going forward, UN-Habitat has been working over the past 3 months on an analysis of four key areas: Demand, Supply, Financial Sector, and Refugees.

² Figures on housing delivery drawn from HUDC website; refugee figures from JRP and UNHCR information; housing prices from DLS.

³ The JAH programme will need to be managed by an entity, which will be needed to oversee and manage key aspects of the programme, such as marketing, participant coordination, and information management. The design, location, funding and role of the entity is scheduled to be explored further in the coming months.

This report is a synthesis of the results of that analysis and provides an explanation of the findings, as well as an analysis of how those findings allow us to develop the most suitable Jordan Affordable Housing Programme going forward.

What do we mean by an “Affordable House”? Table: Does the cost of the house prevent you from finding a suitable home?

If you don't own the house, does the cost of housing prevent you from finding a suitable home?		
Jordanians	No	Yes
East Amman	22%	78%
Balqa	6%	94%
Irbid	5%	95%
Jerash	17%	83%
Karak	2%	98%
Madaba	21%	79%
Mafrq	15%	85%
Zarqa	7%	93%

The Demand Survey indicates that 88%⁴ of people renting a house say that house cost prevents them from finding a suitable home. We can see an especially strong response to this question in Karak, Irbid, Balqa and Zarqa.

An important consideration in any affordable housing programme is to determine exactly what constitutes an “affordable” house. JAH started by focusing on the target market clients – those in the low-middle income range that were not yet being served with houses and the needed housing finance by the formal sector already, as there is an “upper range” of incomes where affordable housing and the needed housing finance is already available. It was quickly apparent that for the low-middle income ranges, JD 300-500 per month, the new housing stock currently being delivered (130-150m² unit size and priced above 30,000) is not affordable for this income segment.

On the basis that a lower cost/monthly installment is required for affordability, the concept of a smaller housing unit (60-65m²) is being proposed. The units will be configured in such a way that two can be readily converted into a larger more “standard” sized 120-130m² house at some point in the future in an effort to reflect local buyer preference for a larger home.

A further important consideration is the “lower limit”: an income below which it is unlikely a household can save or access the deposit required and/or sustain the needed housing payments over time, and for whom a private-sector housing programme will likely serve their rental needs, but not homeownership.

With this in mind, we determined the following to be the case in the Jordan market, using current market rates of 8% on a 10 year financing⁵:

- Using current market rates and available financing products, Jordanian households working for the public sector and making 600 JD per month would be able to raise up to 25,000 JD. Taking

⁴ The collective figures presented throughout this report reflect weighted averages calculated across the entire surveyed population of 4.74 million people

⁵ Financing up to 25 years is available in Jordan; for the purposes of this programme we are advocating 10 year tenors as the shortest period in which a financing of this amount is affordable, allowing the buyer to be in a position to extend/merge to obtain a full sized house in the shortest time possible.

into account the needed 20% deposit, this would allow this household to buy a 30,000 JD house – something that is currently available on the market in certain areas.⁶

- Jordanian households making 250 JD, working in the public sector with assured job security, will potentially be able to raise 10,000 JD over a 10 years financing – but this price is too low for a house of useful size (although the same household could raise 13,000 over 15 years, or 15,000 over 20 years).
- Jordanian households making 300 JD per month could make repayments of approximately 150 JD per month over 10 years on a loan of 12,000 JD. Together with a deposit of 3,000 JD, they could afford a house of 15,000 JD.

This is illustrated in the tables below, which compares interest rate, amounts borrowed, tenor and monthly repayment:

Table: Repayment Tables based on tenor, interest rate and loan amount

(in JD)	Tenor				
Rate	8 yrs	10 yrs	12 yrs	20 yrs	25 yrs
7.00%	163.60	139.33	123.41	93.04	84.81
7.25%	165.10	140.88	125.01	94.85	86.74
7.50%	166.61	142.44	126.63	96.67	88.68
7.75%	168.12	144.01	128.26	98.51	90.64
8.00%	169.64	145.59	129.89	100.37	92.62
8.25%	171.17	147.18	131.54	102.25	94.61
Amount Borrowed:		12,000.00			

(in JD)	Tenor				
Rate	8 yrs	10 yrs	12 yrs	20 yrs	25 yrs
7.00%	204.51	174.16	154.26	116.29	106.02
7.25%	206.38	176.10	156.26	118.56	108.42
7.50%	208.26	178.05	158.28	120.84	110.85
7.75%	210.15	180.02	160.32	123.14	113.30
8.00%	212.05	181.99	162.37	125.47	115.77
8.25%	213.96	183.98	164.43	127.81	118.27
Amount Borrowed:		15,000.00			

Referring to the table above, we can see that people making 300 – 500 JD or more per month fall into a specific category of those that can afford to pay for a 15,000 JD house, and would be eligible for mortgage finance to do so, but do not have, at present, a suitable housing unit to buy at that price.

With this information, JAH approached the construction sector, the Jordan Engineers Association, private developers and other stakeholders, in order to determine what size and quality house could be built in the various prices ranges. We were able to empirically confirm that a house with a construction cost of 12,000 JD was possible. Including 3,000 as the land cost portion, the sale price for a 60 - 65 sqm house with 2 rooms plus kitchen and bathroom would be 15,000 JD.

⁶ We did not see housing for 30,000 JD, but it would appear that developers and construction companies are starting to deliver housing in this price range. The more normal average price is 45,000 JD, but as housing unit sizes reduce towards 120 sqm from 150 sqm, so too do final house prices.

“We do have Affordable Housing in Jordan; it is just too expensive for most people”

Jordan has attempted affordable housing programmes in the past. As a means to understand the context and best design of the Jordan Affordable Housing programme, it has been very helpful to review lessons learned from these past initiatives, which have been very well-intentioned attempts by the Kingdom of Jordan to deal with the affordable housing shortage, and to support, in some way, the provision of housing for lower middle income Jordanians.

Over the past 10 years, there have been several initiatives supported by the King and the Government of Jordan in which homes were constructed and given away to families in need. The Ministry for Social Development has two housing related programmes. The first provides housing units to the most vulnerable Jordanian families at a 100 percent subsidy through either the provision of new units or the rehabilitation of existing units. 1,500 units have been provided through this programme since its start in 2002 – or some 115 units per year. The second, called the “Al-Afeefa Families” programme, consists of small developments of 15 to 30 units each. 100 of these projects have been implemented throughout the Kingdom since 2006 and some 1,800 units have been completed and handed-over to date. Again, these units are fully subsidized and target the poorest Jordanian households.

For the National Resilience Plan, the Ministry for Social Development is proposing (but has not yet funded) a 3-year programme to construct 1500 new housing units across Jordan for USD \$39.5 dollars – which equates to an average cost of over \$26,000 per unit. These homes are provided on a charitable basis and programme reach is limited by the amount of available funding (and therefore cannot reach scale).

The “Decent Homes for Decent Living” programme initiated in 2008 ambitiously sought to provide 20,000 housing units per year over 5 years for a total of 100,000 units. This was not a fully subsidized programme and low income borrowers were expected to buy the units at subsidized interest rates. Prices were expected to be 22,000 JD for a 100 sqm unit, and the serviced land was provided for free; it seems some households were also given a further cash incentive to put towards the house purchase.

Ultimately, just less than 9,000 units were constructed, and the programme is not building any further units. It has been stated that there were cost overruns that led to higher prices, and the land provided was remote from urban areas and in locations without other services. Developers provided construction finance themselves or from the government under the expectation that the units would be purchased, but by 2011, only one third to one half of the units were sold, although a number of the remaining units have been transferred to the teacher’s pension fund. Some developers also stated that not all of them have been repaid for their investment.

Ultimately, those that could afford the unit cost did not want to live in the units, and those that were willing, could not afford the units. Lower income buyers were not able to get the needed financing. These housing units were not “affordable” houses for many of the lower middle income population (i.e. those making between 300 JD and 500 JD per month).

At the same time, in an effort to ensure the poor could afford the mortgage finance required, there was an attempt to provide (or, more accurately, ask banks to provide) subsidized interest rates of not more than 5%. Although this was done through the Central Bank offering a risk-weighting of 200% on the housing assets (and thereby reducing the capital cost of the risk reserve requirement for the banks under this programme), it was not sufficient incentive for the banks to be able to make a reasonable profit. It is our understanding that this caused some banks to step out of the programme at scale, although there are various banks still providing financing for the houses constructed under this

programme.⁷ Certain banks (e.g. Cairo Amman, Housing Bank, Jordan Islamic Bank) appear to have viewed this programme as an opportunity to expand their target market into lower income segments. Other banks are providing loans for these housing units through their Corporate Social Responsibility Departments.

There are significant differences between the JAH programme and the Decent Homes for Decent Living programme.

First of all, JAH is demand market driven, and this means that no housing supply will be provided unless there is clear demand – in terms of location, housing type and price. It is this demand that will be the incentive for investment, as the JAH programme will not provide any construction finance (even if it will support developers and construction companies in seeking construction finance from banks, if needed). Purchasers will not be obliged to take particular units (unless they have chosen to enter into a contractual relationship with a developer/construction firm), so they will retain ultimate “quality control” in terms of their willingness to purchase one unit as opposed to any other.

Second, JAH will work with municipalities so that the housing and land allocation is a part of their urban planning and is within municipal boundaries as much as is possible and practical.

Third, housing will be affordable for households making 300 – 500 JD per month at market rates, allowing the programme to operate without subsidy. This means the programme can be scaled as far as the demand extends since it is dependent on middle market households’ ability to obtain financing – unlike with other subsidised affordable programmes, which could only reach as far as the subsidy could stretch.

Finally, the JAH programme will work closely with Government but is expected to operate efficiently in the private sector space – and has the potential to be a very important public-private partnership in Jordan.

The Demand Survey

One important focus in the Analysis stage has been around the design, implementation and analysis of a Demand Survey. This survey was conducted in 8 governorates: East Amman, Balqa, Irbid, Jerash, Kerak, Madaba, Mafraq and Zarqa – and covered a population based of 4.74 million Jordanians. It was jointly designed and implemented through a company in Jordan called Leading Point. The Demand Survey is of particular importance as it has enabled the JAH programme to statistically substantiate and quantify a number of central assumptions we had made - based on informed discussions – during the early programme design stage.

The Demand Survey design was based on information required in the following areas, which were used to structure the survey:

⁷ We understand that this 200% risk reserve relief programme ended in 2014, so it is not clear what rates are being offered under this programme at present.

INCOME	UNDER 300	300-499	500-999	1000 PLUS	
TENURE	OWN	RENT	RENT-FREE	SHARE	
HOUSE TYPE	VILLA	LOW RISE	FOUR PLUS		
FINANCE	BANK	OWN FUNDS	FAM/FRIENDS	OTHER FORMAL	INFORMAL
LAND	INCLUDED	FAMILY	MARKET	GOVERNMENT	
CONSTRUCTION	CONTRACTOR	SELF-MANAGED	READY BUILT	GOVERNMENT	
EMPLOYMENT	GOVERNMENT	REGULAR	SELF-EMPLOYED	CASUAL	RETIRED
LIVING HERE	RECENTLY	WITHIN 5 YEARS	MORE THAN 5		
PREVIOUSLY	HERE	NEARBY	SAME CITY	GOVERNORATE	ELSEWHERE
INTENTIONS	NONE	IMPROVE	MOVE		
CONTENT	INTERNAL	ADD UP	ADD BESIDE		
OTHER HOUSES	NONE	ONE	ONE PLUS		
OTHER LAND	NONE	NEARBY	ELSEWHERE		
WILLING TO BUY	YES	MAYBE	NO		
PURPOSE	OWN USE	FAMILY USE	SELL	RENT	NOT SURE
ABILITY TO PAY	NONE	100/m	150/m	250/m	350+/m
SAVINGS	NONE	1000	3000	5000	
CONCERNS	NONE	HALAL LOAN	RISK	AFFORDABILITY	SPECIFY
LOCATION	NEARBY	PLACE NAME	ANYWHERE	EXCEPT NAME	
LOANS	NONE	AMOUNT	INTEREST	PERIOD	STATUS
BANKING	NONE	FOR SALARY	FOR SAVING	FOR LOAN	NAME
PREFERENCE	NONE	ISLAMIC BANK	HALAL PRODUCT	OTHER	
STATUS	JORDANIAN	OTHER	SYRIAN		
HOUSEHOLD	NUCLEAR	EXTENDED	UNRELATED		
HHOLD SIZE	1	2	3	4	5
HOUSE	1 ROOM	2 ROOMS	3 ROOMS	MORE	
INCOME SOURCE	SINGLE EARNER	2 INCOMES	2 EARNERS		
HOME INCOME	NONE	SHOP	RENT	MANUFACTURE	
MIN ROOMS	1 ROOM	2 ROOM	3 ROOMS		
MIN SIZE	65	100	150		
TYPE	GROUNDDED	FLAT	HIGH RISE		
LOCATION	NEARBY	ANYWHERE			

The Affordable Housing Demand Study was based on a random sample of 2,240 households in the 8 Governorates listed below. These governorates were selected, in consultation with the Advisory Committee during a meeting held on 29 December 2014, as being the most likely to need assistance for low-income housing. Central Amman was excluded because the price of land makes a 15,000 JD housing unit unfeasible. This survey covered a population base of 4.74 million Jordanians.

Governorate	Number of Families	Confidence Interval
East Amman	240	94%
Balqa	200	93%
Zarqa	400	95%
Irbid	400	95%
Mafrq	400	95%
Jerash	200	93%
Karak	200	93%
Madaba	200	93%
Total	2,240	98%

A map of Jordan governorates is seen below:



The following data represents the updated 2013 census figures (Department of Statistics) which are used as a population total in the areas surveyed, and therefore, all household totals are derived from the figure of 4,742,277. Syrians accounted for 14.3% of the population surveyed; this can be extrapolated to suggest that Syrians represent over 840,000⁸ people in addition to the Jordanian population of 4.74 million in the eight selected governorates. Weighted average household size is 5.57 persons.

Table: Population Table

Governorate	Nationality			
	Jordanian (and other)	Total population	Syrian	Total population
East Amman	85%	1324527	15%	227,168
Balqa	93%	191700	8%	34,703
Irbid	80%	159700	20%	279,847
Jerash	94%	428000	7%	13,327
Karak	96%	1137100	4%	10,379
Madaba	96%	951800	4%	5,827
Mafraq	65%	249100	35%	163,484
Zarqa	90%	300300	10%	105,756
Totals		4,742,227		840,490

Table: Household Size

Strata (Governorate)	Total Household Population in	Total Number of Households in	Household Average Size	Number of Households
	2004	2004	2013	2013
			(estimated)	(estimated)
East Amman (est.)	998,272	198,070	5.04	262,803
Balqa	341,880	61,632	5.55	78,829
Zarqa	752,765	142,348	5.29	183,913
Irbid	916,747	165,218	5.55	209,423
Mafraq	235,351	38,384	6.13	50,065
Jarash	152,613	25,703	5.94	32,980
Madaba	129,960	22,706	5.7	28,649
Karak	204,185	35,702	5.7	22,614
Total				869,276

Full details on Leading Point work and the implementation of the Design Survey can be found in Annex 1, which includes a summary of the findings for both Syrian and Jordanian respondents.

⁸ This figure (791,300) is derived from taking the percentage of refugee respondents – 14.3% - on a Jordanian resident population sample of 4.74 million. Calculation is 4.74m / 1 – 14.3% subtract 4.74 m.

Demand Survey Results and Analysis

Housing Market Assessment

The housing market assessment analyses the Jordanian lower-middle income housing market to help assess the size and nature of the gap between housing supply and demand and suggest ways of reducing it.

“**Lower-Middle Income**” is here taken to mean those households earning between JOD 300-500/month.

“**Housing Market**” is the whole set of transactions involved in the acquisition of housing, including

- Buying – by the households renting, buying and occupying housing – **Demand**, and;
- Selling – by firms and individuals engaged in the building and production of housing for rent or sale – **Supply**.

“**Housing**” includes not just the houses, but also

- The land and infrastructure (“site and services”) on which the housing is built;
- The finance required to build and purchase housing, and;
- The regulatory frameworks that support and control rental housing and home ownership.

Practical Implications

At first glance, assessing the gap or shortfall in the housing market appears to be quite straightforward, being expressed as:

Housing Shortfall = Houses – Households

However, since the housing market assessment is intended to provide guidance for the JAH programme in terms of the scale or volume of housing required, a number of practical obstacles need to be recognised and, hopefully, dealt with. Most of these are “definitional” and therefore somewhat subjective and to an extent, arbitrary.

Even if we restrict ourselves to assessing the current shortfall and leave aside for now considerations of the likely future shortfall, we need to define what we mean by:

Household: commonly defined as those people, related or not, that live together and contribute to or share in some of the basic activities, such as food preparation and consumption.

While this is acceptable for counting current households, it poses problems in assessing shortfall because it does not take into account whether the household would be as currently constituted if there was no shortage of available housing. In other words, if there are not enough houses available, some household members may be deferring, delaying or even giving up the expectation of separating to form their own household. The number of houses and housing availability has a direct bearing on the number of households, leading to a causal relationship.

Housing: quite simply, defined as a building used for living in. However, as the census recognises, a building used for living, may not be a “house” but could be a shop or indeed any other structure, permanent or temporary, including tents. In fact, as defined, “For the census purposes, each occupied place at time of the census was considered as a housing unit whether designated for use as shops (workplaces or any other purpose)”.

Indeed, since there are virtually no, or perhaps extremely few, households living “on the streets” or out in the open, every “household” has, by definition, a “house”. In effect that means that there is no shortfall – and nor can there be!

In fact, as we know, there are many empty houses. According to the 2004 Census, there were 219,331 houses empty, 51,817 under construction, and 8,752 “closed” – in other words, some 280,000 extra houses or 23% more than the total number of households at that time.

And yet, there was a housing shortage as far as the target group of Lower-Income Households was concerned. That leads to consider not just housing, but whether it is available, affordable and acceptable.

Available housing means that housing which is accessible to the households under consideration. In other words, that the households are not barred or prevented from living in the houses because of their location, or because the housing is meant for a specific group or kind of households (with specific legal or employment status, for example), that the owner/developer is willing to make the housing available to the group (and not have reserved the housing for their own use, or as vacation homes).

Affordable housing means that the households have the means (income and access to financing) to be able to acquire the housing. It is generally accepted that to be affordable, the periodic (generally, monthly) finance cost for the house should be no more than a third to a half of households income.

Acceptable housing means that the design, size and construction of the house must be such that the households are willing to acquire and to live in it and that it suits the climate and culture and is made of suitable and durable materials. As well as the household, the house also has to be acceptable to society, in that it meets the rules and regulations for housing of the relevant authorities.

The Census, of course, does not take any of these into consideration and therefore cannot be a reliable source for establishing either the number of households or the number of houses without more detailed and group-specific data. Even a targeted survey may not produce “accurate” results, since many of the above require assumptions to be made by the respondents to which they genuinely do not and cannot know the answers unless they have actual housing to refer to.

As well as the non-trivial difficulties referred to above, when it comes to assessing shortfall, it is important to distinguish between “**Demand**” and “**Need**”.⁹ The latter assesses the shortfall or gap between households and available houses, while the former assesses how many households without houses would be in a position to pay for houses if they were made available (at a given price in a given location and of a given design). It will be seen that whereas neither concept is “absolute” but subject to standards and acceptability, “demand” cannot be assessed without consideration of specific housing.

Housing Demand

Housing demand attempts to estimate “the quantity and quality of housing which households will choose to occupy given their preferences and ability to pay (at given prices)”¹⁰. It follows that the housing demand will vary, amongst others, by income level.

⁹ “These discussions [on Need and Demand] also generally distinguish ‘need’ – shortfalls from certain normative standards of adequate accommodation – from ‘demand’ – the quantity and quality of housing which households will choose to occupy given their preferences and ability to pay (at given prices)”. Estimating Housing Need, Department for Communities and Local Government, November 2010

¹⁰ 2010, Estimating Housing Need, Department for Communities and Local Government, London

The JAH is directed, in the first instance, at meeting the housing needs of those households whose needs are not being adequately met, but who have potentially the ability to meet their own needs providing appropriate housing and housing finance products and processes exist. As outlined above, the programme will consider those with household incomes of 300 JD and above per month, and we analyse the income levels later in the document.

A better understanding of the housing demand of the target group will allow housing supply to be better matched so that the housing produced will be acceptable and affordable to the target group.

Target Households

There are three types of households that are being targeted by JAH and the feasibility of the programme is based on there being sufficient numbers of households willing to acquire housing. The planning target number is 30,000 households over the first 3 years of the JAH programme.

- A. **Buyers/purchasers:** Households looking to buy or build a house for their own use;
- B. **Investors:** Households looking to buy or build a house for their future use and/or to rent it out for now or sell it in the future; and
- C. **Tenants:** Households looking to rent a house – presumably from investors.

The total demand would be based on some aggregation of the first two types of households. While the “tenants” are not investing or acquiring houses, their number influences and reassures investors of the viability of investing in housing and thus determines and stimulates demand.

While actual demand is difficult to assess until there is an actual priced and located product and the processes, terms and costs of acquisition are known, assumptions can be made on the basis of the results of the Demand survey.

1. The major demand from **buyers** is likely to be from:
 1. Those households whose current housing is not **satisfactory**;
 2. Those households whose housing is **shared** with another household;
 3. Those households that are currently living in **rented** housing;
 4. Those **latent** households who would like to start their own household, and;
 5. **New**, future households.
2. The demand from **investors** is likely to come from:
 1. Those who already have satisfactory housing but have the means to acquire housing and are willing to invest in another house, and;
 2. Those that have no objections to renting out their house are more likely to do so, where others may do so only if they have to, perhaps to facilitate financing the house.
3. The demand for renting, as **tenants**, is most likely to come from:
 1. Those households looking for “temporary accommodation” – including refugees;
 2. Those latent and future households who are unable to afford to buy because they do not meet eligibility criteria, and;
 3. Those tenants who are unsatisfied with their current housing and likely to want to shift if more acceptable and/or affordable housing becomes available, but since they are currently renting, they would not be adding to the demand, merely shifting demand from one type of housing to the other.

A. Buyers

1. Unsatisfactory Housing

Count of How would you rate your overall satisfaction with your current house?			
Jordanians	Dissatisfied and Very Dissatisfied	Neutral	Satisfied and Very Satisfied
East Amman	40%	2%	58%
Balqa	13%	5%	82%
Irbid	10%	9%	81%
Jerash	27%	3%	70%
Karak	14%	5%	81%
Madaba	24%	2%	74%
Mafraq	10%	2%	89%
Zarqa	16%	4%	81%

The JAH Demand Survey asked respondents whether or not they were satisfied with their current housing. Overall (extrapolating the results to account for the relative populations of different Governorates) some 71% of households were satisfied with their housing, but the low (58%) level of satisfaction in East Amman slightly distorts this conclusion. Without Amman, more households in the rest of the country (77%) are satisfied with their current housing. Not surprisingly, amongst Syrian refugees, only 40% of the households are satisfied with their housing.

However, it is clearly not the case that all those households that are unsatisfied with their housing are likely to want to move out or are able to change their housing, and of course even less likely that all of them are going to want to do so as part of the JAH programme.

First of all, being unsatisfied does not automatically mean that the households do actually want to do something about it. Amongst other things, households have an attachment for their houses and their location, and there are many other similar considerations that make it less likely that they will actually change their housing. That is borne out by the evidence from the JAH Demand Survey –only some 10% of the households had made any changes to their original houses, though 20-25% still said that they planned to change.

According to the JAH survey, taking a weighted average, 62% of all the households say that they expect to move within the year. Presumably if more acceptable housing became available and was affordable, they would be fairly likely to move.

Table: When would you expect to move

Jordanians	Do you expect to move within the year?	
	Yes	No
East Amman	64%	36%
Balqa	32%	68%
Irbid	23%	77%
Jerash	48%	52%
Karak	25%	75%
Madaba	44%	56%
Mafraq	24%	76%
Zarqa	33%	68%

On page 4, we discussed how 88% of Jordanian renters indicate that the cost of housing prevents them from finding a suitable home. It is probably the case that not all households that would like to change their houses are able to do so because of the lack of available and affordable alternatives. This is certainly supported by the survey responses.

2. Shared Housing

Perhaps the most obvious potential demand is from households that are currently sharing with another household. However, it is likely that where the sharing households are related, they would be counted as one household and might even consider themselves as such for official purposes. If so, any survey or census is likely to undercount their number. For example, in the JAH demand survey, only some 6% of all households said they were sharing. However, in the case of Syrian refugees, the sharing may be a necessary economic convenience and be more easily picked up by a survey. Indeed, 23% (which extrapolates to some 196,000 households) of the surveyed Syrian households said they were sharing with another.

Table: Sharing the house with another household

Are you sharing this house with another household?					
Jordanians	Yes	No	Syrians	Yes	No
East Amman	9%	91%	East Amman	26%	74%
Balqa	4%	96%	Balqa	7%	93%
Irbid	11%	89%	Irbid	30%	70%
Jerash	9%	91%	Jerash	23%	77%
Karak	6%	94%	Karak	38%	63%
Madaba	2%	98%	Madaba	14%	86%
Mafraq	6%	94%	Mafraq	18%	82%
Zarqa	7%	93%	Zarqa	13%	88%

Of those households that say that they are sharing, most are presumably doing so because acceptable housing is either not available or it is not affordable, or perhaps both.

3. Rented Housing

According to the Demand Survey, a weighted average 27% of Jordanians, representing around 230,000 households in our surveyed governorates, live in rented accommodation – although there is significant variation by governorate. Assuming that the ultimate objective of most households is to own their own housing, it is presumed that the majority of the households currently living in rented houses are doing so because affordable housing for purchase is not available to them.

Table: Owned vs. Rented for Jordanians

Jordanian House Tenure	Owned by me or a household member	Rented	Other
East Amman	49%	44%	1%
Balqa	66%	24%	3%
Irbid	77%	20%	1%
Jerash	72%	19%	1%
Karak	72%	17%	0%
Madaba	78%	18%	0%
Mafraq	90%	8%	1%
Zarqa	71%	27%	0%

4. Latent Households

The lack of affordable or available housing is likely to suppress or defer the formation of separate households, independent of their parents or siblings. For example, young men may have put off getting married and starting their own households, or married brothers may be sharing their parental home. The Demand Survey did not specifically ask questions regarding latent households, but households with two or more male adults are likely indicators of the presence of a parent or sibling or offspring who may want to set up his own household but is prevented by a lack of affordable housing being available.

The table below shows that 39% of Jordanian households have 2 or more adult males – over 330,000 households in the 8 governorates that were included in the survey.

Table: Adults in household by Gender –and households with 2 or more adult males

	Female headed households	1 male adult	2 or more male adults
East Amman	1%	56%	43%
Balqa	3%	58%	39%
Irbid	0%	62%	38%
Jerash	1%	64%	35%
Karak	3%	59%	38%
Madaba	2%	53%	45%
Mafraq	4%	57%	39%
Zarqa	7%	58%	35%

5. New Households

The population of Jordan of 1,200,000¹¹ households is currently growing at a rate of 2.2%, or 26,400 households a year. If we assume that 30% of these households will be in our target group of households, that implies a potential new demand emerging of almost 9,000 units a year.

B. Investors

1. For Own Use

Buying or building a house now for their family's own use at some future time is a prudent investment, especially in uncertain financial situations. Many such houses are built either by windfall incomes, or as a "home" for investing surplus funds from a business. The actual demand, therefore, is very likely to be influenced by prevailing financial conditions and available financing. Nevertheless, 35% of all Jordanian households expressed their willingness to invest in a second or other house.

Jordanian	Would you be willing to buy or build another house?		
	No	Maybe	Yes
East Amman	65%	20%	15%
Balqa	60%	14%	27%
Irbid	75%	12%	13%
Jerash	47%	14%	39%
Karak	67%	11%	22%
Madaba	56%	16%	28%
Mafraq	70%	19%	11%
Zarqa	74%	12%	15%

Table: Willina to build or buv another house

As with many other responses, this is also likely to be conditioned by households' perceptions and preconceptions, nevertheless, it does indicate a substantial demand. Interestingly, the price or availability of land might not be as great an obstacle or constraint as is often thought. According to the

¹¹ DOS Population estimate 2014

JAH Demand Survey, slightly over 20% of all households own another parcel of land – the average size of these parcels ranges from a small 2.4 dunums in Zarqa to over 16 in East Amman - although the location of the owned land is not necessary in the same governorate.

Jordanians	Do you own any other land?	Average area of land in dunums
East Amman	10%	16.7
Balqa	16%	12.7
Irbid	27%	3.2
Jerash	15%	8.8
Karak	27%	8.2
Madaba	31%	5.8
Mafraq	22%	4

Table: Land ownership and size

2. To Rent

It had been posited by the key informant groups, and conventionally acknowledged, that Jordanians do not want to rent out their housing to unrelated families and certainly not to non-Jordanians. Or even if they were willing, they would only do so if the unit were not part of their own building.

The results of our survey convey a different picture, and it may be that economic realities outweigh socio-cultural preferences. The table below shows responses to whether or not people would be willing to rent a unit to someone “on your property but outside your house”, for both Syrians and Jordanians. We can see that in all cases, people are less likely to consider sharing their household with a “stranger” – although there is a percentage that will do so. We do not see a big distinction between Syrian and Jordanians as tenants in the house – in some governorates, a Syrian tenant was preferred.

When we look at the second table below, we see a much higher propensity to rent to someone “on the property but outside the house” – and nationality was not a significant factor, although there are some variances between governorates and a general tenancy to prefer a Jordanian tenant. However, this may well be due to the perception that the Jordanian is able to work, and would therefore be more able to reliably pay rent.

Table: If you had extra space in your house, would you consider renting?

If you had extra space in your house, would you rent to a refugee?			If you had extra space in your house, would you rent to a Jordanian not related to you?		
	Yes	No		Yes	No
E. Amman	16%	84%	E. Amman	8%	92%
Balqa	4%	96%	Balqa	6%	94%
Irbid	6%	94%	Irbid	11%	89%
Jerash	11%	89%	Jerash	14%	86%
Karak	11%	89%	Karak	9%	91%
Madaba	19%	81%	Madaba	10%	90%
Mafraq	8%	92%	Mafraq	8%	92%
Zarqa	5%	95%	Zarqa	8%	92%

Table: Willing to rent

Would you rent to a refugee on your property / outside your house?		
	Yes	No
E. Amman	60%	40%
Balqa	34%	66%
Irbid	32%	68%
Jerash	43%	57%
Karak	33%	67%
Madaba	45%	55%
Mafraq	49%	51%
Zarqa	21%	79%

Would you rent to a Jordanian on your property / outside your house?		
	Yes	No
E. Amman	55%	45%
Balqa	58%	42%
Irbid	58%	42%
Jerash	48%	52%
Karak	51%	49%
Madaba	44%	56%
Mafraq	58%	42%
Zarqa	28%	72%

C. Tenants

The demand for renting housing is dependent on the circumstances of the households vis a vis eligibility criteria. It can be safely assumed that the majority of those that earn between JOD 150 and 300, but cannot meet the eligibility criteria for housing finance, are most likely to end up renting housing from private or private sector landlords.

The demand for rental housing from refugee population is more difficult to assess as the situation is volatile and dependant on external political factors. However, it is likely that the level of demand will continue at present levels for the immediate future. Moreover, if the supply of acceptable and affordable housing increases, many of the current refugees, especially those sharing and unsatisfied with their current housing, are likely to want to move.

As a weighted average, 59% of Syrians are “dissatisfied or very dissatisfied” with their current housing, suggesting there is demand from up to 100,000 Syrian households for improved rental housing.

Table of Syrian satisfaction with current housing

Syrians	How would you rate your overall satisfaction with your current house?		
	Dissatisfied / very dissatisfied	Neutral	Satisfied / very satisfied
East Amman	69%	14%	17%
Balqa	20%	7%	73%
Irbid	51%	11%	38%
Jerash	92%	0%	8%
Karak	63%	25%	13%
Madaba	71%	0%	29%
Mafraq	67%	5%	28%
Zarqa	58%	15%	28%

Summary of Demand

The discussion above has tried to analyse the level of demand from various lower-middle income groups, and while absolute numbers are difficult to predict, since they dependent on products and processes that become available, an indication of the likely range of demand by household can be attempted and is summarised in the table below.

Category		Housing	Minimum	Maximum
Buyers	A.1	Unsatisfactory	27,000	270,000
	A.2	Shared	18,000	180,000
	A.3	Rented	22,000	220,000
	A.4	Latent	36,000	360,000
	A.5	New Households	2,600	26,000
Investors	B.1	Own Use	30,000	300,000
	B.2	Renting	18,000	180,000
Tenants	C.1	Unsatisfactory	9,000	90,000
	C.2	Shared	3,600	36,000

In the various demand groups identified above, their number would well exceed the annual target of 10,000 housing units that JAH is aiming to provide. Of course there are both large margins of error in the above figures, and the actual size, quality, location and of course the price of the housing will ultimately determine whether the anticipated demand will materialise. Therefore, we need to establish what the essential characteristics of the housing units needs to be, in terms of minimum acceptable size, preferred type and pricing – and eventually, the looks and location will also have to be attractive.

To the extent that the JAH project would like to maximise the satisfaction of households, it must respond with housing that is acceptable and affordable and develop housing finance mechanisms that have eligibility criteria that the most households can meet.

Acceptable Size

The consideration of acceptable housing must start by defining the minimum size of housing that would be acceptable before designing a product that would meet other acceptability criteria of design and quality and of course cost.

Through a series of focus group discussions¹² it was agreed that in practical terms, a house needed a minimum of 2 “habitable” rooms (i.e. not counting service spaces such as kitchen and bathroom). This is also confirmed by the findings of the last Census¹³ that shows that almost all houses in Jordan have 2 rooms or more, and only 3% of all houses had less than 2 rooms:

Jordan: House Size								
Rooms/House	1	2	3	4	5	6	7+	Total
Housing Units	30380	163974	309356	247792	134222	31462	12089	929694
% Units	3	18	33	27	14	3	1	100

Thus, while a one room house is certainly feasible, especially for bachelors or young couples just starting off as a household, it would probably be unacceptable as a permanent solution and perhaps not even as a long term solution or a “norm”.

¹² Discussion sessions were held with members of the Jordan Association of Housing Investors, the Jordan Engineers Association and the Housing and Urban Development of the Ministry of Housing and Construction as well as architects and engineers in private practice.

¹³ Jordan National Census, 2004.

Jordan: Room Occupancy							
Persons/room	Total	>1	1-2	2-3	3-4	4-5	5+
Housing Units	936611	170822	426234	225556	73761	23578	16660
% Units	100	18	46	24	8	3	2

The JAH Demand Survey also corroborated the Census findings. And if the weighted average household size in Jordan is 5.57 persons, less than 2 rooms would create severe overcrowding for most households¹⁴, and would also not be acceptable to households not wanting adult males and females to share sleeping areas.

According to the Census, only 13% of all households had more than 3 persons per room, and only 5% had more than 4 persons per room. It is very likely that in most of the instances where more than 2 persons are sharing a room, they are all of the same sex, or parents and their offspring.

On the basis of the available information, therefore, it would seem that in Jordan, the minimum acceptable would be a 2-room house.

Acceptable Accommodation

To see whether such an “affordable” house would also be an “acceptable” house, the JAH Demand Survey asked households whether they “would be satisfied with a small 2-room house costing JD 15,000”, and 58% of Jordanians said that they would; 59% of Jordanians said, that they “would be willing to live in a small 2-room house that could be expanded in the future”. This equates to over 500,000 households – reflecting more than 2.5 million people – in the 8 governorates surveyed. Average house size for Jordanians (according to our survey) is 145 sqm – this includes, of course, a range of house sizes – suggesting that the JAH housing unit, a 2-room 60 – 65 sqm house that could be doubled to 4 or 5 rooms with an area of up to 130 sqm – will be suitable both as a smaller starter home, and as a more “typical” and acceptable house size in future, when expanded.

Acceptable Type

Households were also asked about their current housing type and their housing preferences, in terms of house type. In the table below, the total percentages are given – and the two sets of responses are not correlated.

Given the very low per cent of households living in apartments, especially outside Amman, it is not surprising that few households have expressed a willingness to live in one. The preferred option, even amongst those living in East Amman, is a Dar or Villa – since the two are essentially the same, with the villa representing a more “modern”, urban version of the traditional Dar: both are detached home on a plot of land. We can also see greater acceptable of the apartment in Zarqa, East Amman and Irbid, where there are a larger number of apartments already and where there is a trend towards apartments as an affordable option.

¹⁴ While there are no absolute or universally agreed definitions of overcrowding, they range from “over 2 persons per room” (UK: when the number of persons sleeping in a dwelling and the number of rooms available as sleeping accommodation is such that two persons of opposite sexes who are not living together as husband and wife must sleep in the same room (not counting children under the age of 10)) to “over 3-persons a room” (UN-Habitat: A house is considered to provide a sufficient living area for the household members if three or less people share the same room.)

Table: Jordanian Preferred House Type

Jordanian - preferred house type	Apartment	Dar
East Amman	25%	75%
Balqa	11%	89%
Irbid	22%	78%
Jerash	4%	96%
Karak	6%	94%
Madaba	5%	95%
Mafraq	4%	96%
Zarqa	42%	58%

To summarise, it is clear from the Demand Survey that substantial numbers (perhaps two-thirds) of all households would both accept and be willing to live in a house that is smaller than the conventionally accepted “minimum sized house” and their overwhelming preference is for a dar or villa type of house. However, would they be able to afford them, and if that means borrowing, would they be able to meet the terms and conditions of lending institutions? The table below shows we can see sufficient willingness AND ability to buy.

Table: Willingness to buy correlated to income and monthly payment add household numbers and remove if it is elsewhere

Governorate – Jordanian	Willing to buy a house of 15,000 JD "yes"	Willing to buy "yes" AND Income above 300 JD	Willing to buy "yes" AND Income above 300 JD AND Minimum monthly payment at least JD 150
East Amman	73%	66%	29%
Balqa	51%	37%	15%
Irbid	52%	45%	22%
Jerash	60%	46%	14%
Karak	46%	36%	17%
Madaba	60%	53%	17%
Mafraq	65%	46%	10%
Zarqa	64%	53%	22%

Syrians in Jordan

As the conflict in Syria enters its fifth year, Jordan is hosting 1.4 million Syrians, of whom close to 650,000 are refugees. Eighty-five per cent of refugees live outside camps in some of the poorest areas of the country, and a significant proportion are classified as extremely vulnerable. It is estimated there are 646,700 Syrian refugees in Jordan¹⁵ who have obtained their service card from the Ministry of Interior (MoI), in addition to some 750,000 Syrians who were living in the country before the crisis. Many have now been cut off from their homes and livelihoods for years and face increasing vulnerability as whatever savings or assets they possessed have been depleted or sold. Those Syrian populations that have settled outside of camps are principally in Amman, Mafraq, Irbid, and Zarqa, and a significant proportion are classified as 'extremely vulnerable'.

Officially, the total population of Jordan at mid-year 2015 is estimated to be 6.74 million while Syrians in Jordan will be 1.43 million, out of which 680 thousand are thought to be refugees. Based on this, the total population of Jordan at mid-year 2015 including Syrians is estimated at 8.17 million. Syrian refugees living inside camps at mid-year 2015 are estimated to be at 130,000 (representing around 19% of the total Syrian refugee population and 9% of the total Syrians in Jordan). Syrian refugees living outside camps at mid-year 2015 are estimated to be at 550,000 (representing 81% of the total Syrian refugee population and 38% of the total Syrian population in Jordan).

It should be noted that the above figures are official estimates, and various surveys and census expected in Jordan in 2015 and 2016 should give a more accurate reading of refugee and other populations in Jordan.

The demand survey identified segments of the population according to their nationality. For those that replied "Syrian", respondents were further asked if they were in Jordan as a result of the crisis in Syria; 99.9% said yes to this question on a weighted average basis (the variation seen in Madaba is due to a single respondent in a small sample size). It is this group that we call "Syrians" in this report, but the term does refer to Syrians that are in Jordan as a result of the crisis.

Our own demand survey has provided important and interesting information from the Syrian housing¹⁶ and affordability perspective. Some of the key findings are as follows:

Syrians accounted for 14.3% of the population surveyed, representing over 840,000¹⁷ people in addition to a Jordanian population of 4.7 million in our eight selected governorates. The highest concentrations of Syrians were found in Mafraq at 35% (163,484 people); Irbid at 20% (279,847 people) and East Amman at 15% (227,168) overall number of Syrians as well. Zarqa also has a high population of refugees: over 105,000 people.

These four governorate together account for 92% of Syrian numbers, or over 775,000 people.

¹⁵ Government of Jordan's official figures as of 18 October, 2014.

¹⁶ No refugee camps were surveyed; all results were from random household samples in the targeted governorates.

¹⁷ This figure (840,490) is derived from taking the percentage of refugee respondents – 14.3% - on a Jordanian resident population sample of 4.74 million. Calculation is 4.74m / 1 – 14.3% subtract 4.74 m.

Table: Population in the 8 Governorates

Governorate	Nationality			
	Jordanian (and other)	Total population	Syrian	Total population
East Amman	85%	1324527	15%	227,168
Balqa	93%	191700	8%	34,703
Irbid	80%	159700	20%	279,847
Jerash	94%	428000	7%	13,327
Karak	96%	1137100	4%	10,379
Madaba	96%	951800	4%	5,827
Mafraq	65%	249100	35%	163,484
Zarqa	90%	300300	10%	105,756
Totals		4,742,227		840,490

Syrians overwhelmingly identified themselves as refugees, although not all are registered with UNHCR. We can see greater numbers of Syrians in Karak, Mafraq and Zarqa that have not registered, but overall, 88% have registered. Of those registered, approximately 69% (average across all governorates) indicated that they receive assistance either in kind or in cash. Very few refugees get housing-specific assistance (17% of those getting assistance say it is for housing); those that do were found only in Irbid, Mafraq and East Amman – the same governorates where we see high greatest number of refugees and likely the most donor-funded or charitable programmes addressing housing needs locally.

Table: Syrian registration and assistance

	Nationality of "Syrian"	Total Syrian population	Are you a refugee?	Total identified "refugee" population	Registered with UNHCR?	Total of refugees registered	If registered, do you get assistance?	Total getting assistance	Is any assistance specific for housing?	Total getting housing assistance
East Amman	14%	227,168	100%	227,168	97%	220,353	60%	132,212	6%	7,933
Balqa	8%	34,703	100%	34,703	100%	34,703	80%	27,762	0%	-
Irbid	20%	279,847	100%	279,847	97%	271,452	76%	206,303	25%	51,576
Jerash	7%	13,327	100%	13,327	100%	13,327	69%	9,195	0%	-
Karak	4%	10,379	100%	10,379	88%	9,134	83%	7,581	0%	-
Madaba	4%	5,827	88%	5,127	100%	5,127	60%	3,076	0%	-
Mafraq	35%	163,484	100%	163,484	71%	116,073	74%	85,894	32%	27,486
Zarqa	10%	105,756	100%	105,756	63%	66,626	57%	37,977	0%	-
TOTALS		840,490		839,791		736,795		510,001		86,995

From an employment point of view, as a weighted average across the governorates, only 15% of Syrians consider themselves to be unemployed, but with quite a range between governorates (in Madaba, no refugees see themselves as unemployed; in East Amman, over 17% and in Zarqa, 18%, indicate they are unemployed; see Table below).

Table: Syrian occupation by sector

Current occupation:							
Syrian	NGOs	Other, specify	Private sector employee	Self-employed / own business	Public sector/civil servant	Retired	Unemployed
East Amman	0%	9%	66%	9%	0%	0%	17%
Balqa	0%	27%	47%	13%	0%	7%	7%
Irbid	0%	34%	24%	25%	0%	0%	16%
Jerash	0%	0%	0%	92%	0%	0%	8%
Karak	0%	13%	50%	25%	0%	0%	13%
Madaba	0%	14%	14%	57%	0%	14%	0%
Mafraq	7%	62%	8%	9%	1%	0%	13%
Zarqa	0%	33%	13%	38%	0%	0%	18%

We can see that the vast majority of Syrians work in the private sector or have their own business; those that indicated “other” were mainly referring to work they were doing on a daily basis, likely in the agricultural and construction sectors, where we understand Syrians are working informally¹⁸.

It is clear that Syrians – including registered refugees – are working in some way to cover their daily costs, but their incomes are low and the work they do is in the informal sector. They are supplementing any aid assistance they get with employment income.

The table below shows the survey results as to household income:

Table: Syrians household income ranges

Syrians	How much is your total monthly income?					
	+1000 JD	500 - 999 JD	400 - 500 JD	300 - 400 JD	Under 300 JD	I don't want to answer
East Amman	0%	11%	9%	14%	60%	6%
Balqa	0%	7%	0%	20%	73%	0%
Irbid	0%	1%	9%	14%	70%	6%
Jerash	0%	0%	54%	31%	15%	0%
Karak	0%	0%	0%	0%	88%	13%
Madaba	0%	0%	0%	57%	43%	0%
Mafraq	1%	2%	5%	7%	85%	0%
Zarqa	0%	0%	5%	20%	73%	3%

This table only provides ranges; it shows the vast majority report earning less than 300 JD per month, as a household income. Our survey did not obtain precise income figures from respondents as these would have been self-reported, and there is a tendency to either over or under exaggerate figures, depending on what the respondent wishes to say, or thinks the interviewer might wish to hear. UNHCR has done a more granular study, through direct household visits, and their 2014 “Living in the Shadows” report that two thirds of Syrians fall below the Jordanian absolute poverty line of 68 JD per person per month.

¹⁸ This has been suggested by UNHCR and the Developer’s Association.

Syrian Housing Situation

When asked if the cost of housing prevented Syrian families from having a suitable home, the answer was overwhelmingly yes:

Syrians	If you don't own the house, does the cost of housing prevent you from finding a suitable home?	
	Yes	No
East Amman	97%	3%
Balqa	100%	0%
Irbid	99%	1%
Jerash	85%	15%
Karak	100%	0%
Madaba	100%	0%
Mafraq	96%	4%
Zarqa	80%	20%

Syrians are sharing with other households, and this figure is likely higher than indicated below, as there are Syrian families sharing with one or more members of their extended family, but they may not consider that as sharing with another “full household”. UNHCR indicates that half of all households in their comprehensive 2014 home-visit programme were “sharing accommodation with at least one other Syrian refugee who is separately registered with UNHCR”. Overcrowding is a reality for Syrians in Jordan, especially for those who cannot legally work to cover rental costs for their own family home.

Governorate	Sharing with Another Household	
	No	Yes
Syrians		
East Amman	74%	26%
Balqa	93%	7%
Irbid	70%	30%
Jerash	77%	23%
Karak	63%	38%
Madaba	86%	14%
Mafraq	82%	18%
Zarqa	88%	13%

Table: Rental Amounts in figures and as a percentage of household income

Rented Accommodation					
Jordanians	JD/month	% income:	Syrians	JD/month	% income:
East Amman	162.3	35.4	East Amman	145	50
Balqa	133.6	30.8	Balqa	116.7	38.6
Irbid	171.8	35.5	Irbid	175.5	46.2
Jerash	131.9	35	Jerash	126.7	42.5
Karak	113	34	Karak	137.5	51.7
Madaba	140.2	30.5	Madaba	146.7	55
Mafraq	100.3	46.8	Mafraq	116.7	70.9
Zarqa	139.1	31.7	Zarqa	129	49.8
Weighted Averages	149			144	

The table above shows average rent for both Syrians and Jordanians as a comparison.

In all cases, Syrians are paying a greater percentage of their income on housing (rent) than Jordanians; this is particularly stark in Mafraq, Madaba, Kerak, East Amman and Zarqa. Rents are highest in Irbid, East Amman and Madaba. We can also see some variation in rents between Syrians and Jordanians; where those rents appear lower on average, we are speculating that the housing quality is likely lower.

Average current rent being paid by a Syrian household is 144 JD per month – very similar to the 149 JD per month average we get from the Jordanian household responses. However, this average masks a wide range of rental prices, so is best considered by governorate, where we see considerable variation. And it should be noted that an average will contain both high and low rental amounts; rents ranged in our survey from a low of 20 to a high of 300 JD per month, with the vast majority of rent being 100 JD and above.

This can be compared to what Syrians say is an affordable monthly rent, averaged by governorate, and compared against “affordable housing payment” of Jordanian respondents:

Table: What households consider an affordable monthly housing payment – Syrians and Jordanians

Considered to be "affordable housing payment per month"			
Jordanians	Average of Exact Figure JD	Syrians	Average of Exact Figure JD
East Amman	130.8	East Amman	98.6
Balqa	123.6	Balqa	98
Irbid	125.5	Irbid	94.2
Jerash	103.3	Jerash	91.5
Karak	119.4	Karak	80
Madaba	114.6	Madaba	88.6
Mafraq	83.5	Mafraq	77.5
Zarqa	111.3	Zarqa	71.9
Weighted Avg	118 JD	Weighted Avg	98 JD

We can see that there is a fairly large discrepancy between what Jordanians and Syrians ARE paying in rent, and what they consider an affordable monthly housing payment (149 JD vs 118 JD for Jordanians, and 144 JD vs 98 JD for Syrians). This suggests that while are managing to pay market rents, that these are stretching household budgets, and it is likely that the housing they do occupy is crowded and of low quality. Households are obliged to live together to cover their rental and other costs. This is a further justification for increased affordable housing supply.

Syrians (those unable to work legally) consider a lower housing payment amount to be “affordable”, and there are differences by governorate that likely reflect rental rate realities. It can also be expected that this kind of question would lead some respondents to indicate a lower monthly affordability level, rather than exaggerating the amount they consider affordable. So it is our expectation that an actual “affordable housing payment” will be slightly higher than what is reflected above (and likely, for Jordanians, more in line with their current rental payments – see table above – and their mortgage repayment capabilities).

Syrians may be getting assistance to cover some of their housing needs and they are unable to count on steady work, so what is affordable for them, over the longer term, is expected to be lower. UNHCR is also able to show how Syrians in Jordan as a result of the crisis are depleting their savings, and finding themselves more vulnerable and poor as time passes – suggesting that there may be a point at which, unless able to find more regular work, Syrians will have more and more difficulty covering costs.

The survey has confirmed our expectations around home ownership: Syrians do not own their own homes, only a very few have bank accounts in Jordan, and none work in the public sector.

Syrians are, overall, living in smaller spaces than Jordanians (self-reported / according to their own estimations); only 28% consider themselves “satisfied” or “very satisfied” with their current house. 57%

of Syrians live in a house of only one or two rooms (plus kitchen and bathroom); 29% have 3 rooms, only 14% have 4 rooms or more. Of those in 2 rooms or less, 66% are “dissatisfied” or “very dissatisfied” with this arrangement; 59% of those living in a 3-room house report the same dissatisfaction.

80% of Syrian respondents said they would be willing to live in a small, 2 room house if it could be expanded over time – this is a question most suited to home owners, but it does show that a smaller house is very acceptable for Syrians – perhaps for their own cultural reasons; likely also because current living conditions have resulted in overcrowding and a “home of their own” would be welcome.

It may be interesting to note that UNHCR and NRC have found, through their own work and surveys, that Syrians have moved very little between governorates. Once arrived and established, they are understandably very reluctant to disrupt the social connections they have in their current location. This suggests that those governorates with the highest proportions of Syrians are likely to remain that way, confirming the assumption that the need for affordable housing will be greatest in those areas.

In terms of maximum housing payments, 91% of Syrians feel “under 150 JD” is affordable from a rent perspective, and only 9% felt 150 – 200 JD would be an acceptable range.

Housing Supply Analysis – Beyond the Demand Survey

Land: prices and availability

Jordan has a relatively large land area in comparison to its population. Even if only 1% of its total land were available for habitation, each household would have almost a dunum (1000 m²) and if only 25% of that was for the housing plot (the rest being for other uses and roads and other infrastructure), that would still mean over 200 m² per household. Yet the competition for urban land is such that land prices are amongst the highest in the region, not least because almost half the population lives in Amman.

Most of the urban land is now in private ownership, most of it through inheritance of rural “farming land”. The relatively low demand from a sparse population and its low productivity meant that original parcels were sizeable, and though subdivided by inheriting generations, were nominally restricted to parcels of 4 dunums or more.

In the early 1930s, the Department of Lands and Survey¹⁹ launched surveying works by defining and fixing villages’ boundaries, then carrying out land and water settlement works, first in the agricultural lands and afterwards inside the villages. Registered agricultural parcels were usually large: hundreds of dunums. These parcels are now becoming smaller and smaller, as they are subdivided between heirs. However, the law generally does not allow subdivision of these agricultural lands into parcels smaller than 10 dunums, and at most 4 dunums in some specific regions.

Today, the State has relatively little land inside urban areas, and even less that has not yet been built upon. Most of this land is in small, isolated pockets, often leftover from other development or allocated to Municipalities for the development and provision of social infrastructure and public purposes.

As may be expected, large areas of undeveloped land are generally only to be found on the outskirts of settlements and in the hands of private owners. In many cases these lands are in contested ownership amongst families and subject to legal disputes. Most owners see these lands as deposit accounts to be sold off piece-by-piece as and when the need for additional funds arises.

While land can be sold off “as is” a higher price can be had by the landowner subdividing the land into building lots either himself, by using a developer or through the Municipality, often in concert with other, adjacent, landowners. Not surprisingly, the demand for land contiguous to existing development commands the highest price. This is often also the most suitable for agriculture, being relatively flat and well drained.

In such circumstances, developers will purchase isolated parcels and develop them despite the fact that these are not within the Municipal boundary and therefore not eligible for infrastructure service provision. However, their lower cost makes it attractive enough for those who decide to settle, and in time, either the Municipality boundary expands to engulf them, or the Municipality can be persuaded to extend services to them, especially if a sizeable and perhaps influential community has developed there.

Overall, in most urban areas, at least as much land remains available for infill development within the existing built-up areas and perhaps twice as much within the Municipal limits to easily double or even triple current population. However, though much of this is already serviced and served by infrastructure or could easily be, not all of this land is available for sale, or available (zoned) for low-income housing and it is probably priced out of reach for individual, lower income housing.

¹⁹Land tenure journal, NO 1 (2010), H.J. Madanat

The price of land is influenced by the following:

- The size and importance of the settlement, with Amman being the most important;
- The relative ease of construction – flat land requires less remodelling;
- The number of units that can be built – sloped land allows buildings of greater height; and
- Geographic location in terms of municipal limits and proximity to existing development

Additionally, zoning and overall size of the parcel are other considerations that have impact on price.

Through surveys and investigations in the municipalities of Ramtha, Madaba, Sarhan and Dhleil²⁰, the price and availability of land has been assessed. In most municipalities, land contiguous with the built-up areas can be found at prices below JOD 30,000 per dunum. In many of the smaller municipalities, land under JOD 20,000 and even under JOD 10,000 is readily available in sizeable quantities in large parcels. Even cheaper land can also be found if currently-under-looked areas and directions are sought out for housing development rather than following on-going developments since the price there has already increased as a result of the development.

While the Government has powers of eminent domain and can compulsorily purchase land, it can only be for the purposes of public benefit, and not for housing, and it rarely exercises these rights, preferring instead to rely on land it already owns, even though such land may not be ideally located, shaped, sized or serviced by infrastructure. Where it is done, the land must be developed within seven years, approval is required from the Prime Minister, and there are risks of manipulation by some people who sue the government to obtain higher compensation for their land.

Developers usually rely on land being made available by a (public or private sector) client or take advantage of opportunistic real estate offerings. Developers do not generally engage in strategic purchases or long-term land-banking, though they may make speculative purchases especially of smaller parcels or plots of land for a few buildings.

The JAH Demand Survey respondents said that between 27% (East Amman) and 57% (Karak and Madaba) owned the land of their housing. Of these, almost two-thirds had inherited the land while about a third had bought from the commercial market virtually none of the households had bought or been allocated land from a public actor source. Interestingly, about 10% of these households had not bought the land, but bought a house or an apartment and the land came as part of the building purchase. Of those that own land, it was acquired in the following way:

Table: Land Ownership

	Land Owned
East Amman	27%
Balqa	47%
Irbid	38%
Jerash	42%
Karak	57%
Madaba	57%
Mafraq	48%
Zarqa	36%

Table: Means through which land was acquired

Jordanians	Land Inherited	Land Bought	Land provided by Govt	Land included in purchase
East Amman	66%	31%	0%	0%
Balqa	44%	45%	0%	11%
Irbid	54%	35%	6%	16%
Jerash	74%	14%	0%	1%
Karak	49%	33%	3%	6%
Madaba	67%	33%	0%	0%
Mafraq	60%	32%	0%	13%
Zarqa	40%	50%	0%	31%

²⁰ This same investigation will be done in Zarqa, Kerak, Mafraq and Jerash or Salt in the coming weeks.

Housing Supply: Typology

What types of housing is supplied, by who, at what cost and in what numbers?

The majority of housing is of the one or two story, detached Dar/Villa type of structure, of between 130 and 150 m². Of these, over 70% are owner-occupied. Not surprisingly, in East Amman and Zarqa, both of which are highly urbanised, apartments exceed dars. Due to different circumstances related to affordability and urban context that shifted people's acceptance towards dwellings on shared land, like Ramtha, Mafrq and Karak.

Table: Housing Type

Component		Balqa	East Amman	Irbid	Jerash	Karak	Madaba	Mafrq	Zarqa
Villa	%	2	0	1	1	1	1	2	0
Dar	%	45	34	54	56	65	69	88	37
Apartment	%	51	65	45	43	34	29	10	63
Avg. Area of House	M2	154	130	155	137	134	147	130	159
Owned	%	66	49	77	72	72	78	90	71
Rented	%	31	51	23	27	28	22	10	29
Funded by Savings	%	77	79	70	43	38	58	56	61
Loans	%	8	12	10	34	34	23	13	18
Asset Sales	%	0	7	11	9	13	6	23	7
Self-managed	%	49	22	40	41	61	45	67	30
Contractor	%	2	13	5	22	2	18	2	4
Ready-built	%	17	51	42	31	13	26	28	61
Don't know	%	21	13	12	2	19	11	3	5

Most of the housing, especially the dars, have been produced through self-managed construction, probably using small-scale local builders. This is further supported by the fact that savings (50-60%) and the sale of existing assets (10%) have funded the majority of the housing. Loans have been used for about 30% of the houses.

Outside Amman, Aqaba and other large urban areas, most of the housing is produced either as individual housing projects or in the form of relatively small sites of between 8 - 24 apartments. The maximum number of apartments on a plot is 8 as per municipal regulation and land capacity, and the trend is for 2 apartments per floor in a 4-level building. Few, if any, of the developers of these units seem to have more than one project on the go at any given time. Developers tend to focus their construction activities within one area for logistical reasons; where they minimise overheads, maximize the use of non-skilled labour working hours and monopolize the market of the area.

Housing Supply: Quantities

Over the past years, the number of housing units supplied annually has increased, but since the numbers required by the increasing numbers of households, the relative gap between supply and demand has remained. During the 11-year period 2000-10, for example; an average of some 13,000 units has been built annually. On the other hand, since its founding, HUDC has constructed some 42,000

units, an average of 1680 a year or some 12% of the total²¹. In recent years, HUDC has moved away from housing construction and into policy and enabling frameworks. The other major producers have been the army (for soldiers) and various public sector and professional organisations and companies building for their own employees, such as the Teachers union or the Engineers Association; they provide different property ownership schemes and programmes for their members, such as offering vacant serviced land parcels, purchase of built apartments, or loans for property purchasing. It is likely that developers and households themselves have managed the construction of some 70% of all housing. Some municipalities have developers delivering housing; others are private households or individuals, even for a small apartment. In Ramtha, for example, developers are beginning to deliver, but it is mainly households building units to sell and rent.

Housing Supply: Developers & Construction Companies

Traditionally, construction has been undertaken by bringing together various professional and specialists working under a project manager. With small residential projects, the management function is performed by the owner/client. In some cases this is supplemented by a lead professional who performs advisory/site-management functions often while carrying out his own trade. Some of these site-managers graduate and become full time construction project managers through learning-by-doing rather than professional qualifications. A similar graduation sometimes takes place with the owner/client: a successful project leads to requests for them to perform contract management for friends and relatives and, if they carry on, they become full-time professionals.

With larger and more complex projects, usually non-residential, the semi-formal contract management cannot succeed and professional contracting companies have developed complete with in-house staff and modern plant and equipment. Most of these companies operate in the infrastructure sector, with few if any active in housing. However, there are some housing projects developed in the form of high-rise towers and complexes for the upper income brackets.

Developers and construction companies are organised and regulated by the Jordan Contractors Association and the Jordan Housing Developers Association who control entry to and progression up the scale of operations of their members. In many cases contractors or developers perform both activities; were developers acquire over time the capability and the capacity to control contracting activities for their own projects and for other clients as well. The Jordan Housing Developers Association 1890 members, not all of them are active, and most of them are based and operate in Amman.²²

Neither developers nor contractors have had any particular incentive to reduce the price of housing as long as they are essentially engaged in producing to order, mainly for an upper and middle-income clientele. This does not mean that they are not looking at ways to reduce their costs, but these are not necessarily passed on to the client. During meetings, both with individual contractors and developers as well as in focus group sessions, the general view has been that the way to reduce housing price is by tax-concessions, reduction in fees and charges, and interest rates, and most of all by the provision of free or at least cheap (government provided) land.

²¹ This information was taken from a UN-Habitat Project Document of 2012 seeking support for HUDC. Author Daniel Biau.

²² According to the Chairman of Jordan Housing Developers Association, Kamal Al Awamla

Involving and engaging the developers and contractors is likely to be a key to the successful operation of any large-scale housing programme, not least because of their experience and expertise, but also because they have links with land-owners and often own or have access to large parcels of land in and around the larger cities. For lower-middle income housing such as that envisaged for the JAH programme, aimed at nationwide implementation, smaller scale local contractors and middle size housing developers as well are probably going to be important players. Certainly it is likely to be more difficult to expect one or a few large-scale developers or contractors to be able to tackle the dispersed nature of the projects and or to have the ability to respond to a variety of demands. In any case, it is expected that the large developers would likely engage or sub-contract local contractors to deliver most of the housing.

Housing Supply: The Role of Municipalities

While Municipalities have virtually no direct role in housing provision, they can influence the type, direction and scale of housing development by their management of zoning and building control regulations. In particular, they can impact on the scale and speed of local area development through the grant or withholding or delaying of permits and permissions. Currently much of this ability is not being utilised because of the lack of local capacity, and a continued tradition of centralised decision-making from Amman.

As well as approving the development of housing areas, municipalities are also responsible for advising on or undertaking the planning and layout of plots, roads and public and social spaces and facilities. For this, they require 25% of the total land area to be transferred to the municipality. Unfortunately, they have not been as active as they might have been in ensuring cost and fee recoveries and as a result their capacity to act has been severely constrained. Municipalities, especially the Mayor and senior officials, are well connected with local land owners and have a good understanding of local housing needs and the scale of demand for housing.

Interpretation and Implications for the JAH programme

The supply of housing suffers most from the gap between delivery and capability: it is possible to deliver a 15,000 JD housing unit, land exists at the right price, there is demand - but it is not being done. There is willingness and interest, but no coordination, and no “putting together” of the pieces to make this sufficiently profitable – and therefore interesting – to the needed partners on the supply side. With most agencies and organisations responsible for the supply and regulation of housing lagging in their implementation, contributing to delays and thereby adding to costs.

The relative absence of actors that can operate at scale is also likely to be a bottleneck in the implementation of JAH – unless greater reliance and involvement of the smaller-scale actors and operatives can be incorporated and made use of in the supply of housing through land development and housing construction.

Access to Finance Analysis – Demand Survey Findings

The JAH Demand Survey was fundamentally about two things: 1. Would people be willing to make an investment in (purchase) a smaller house, and assuming so, how many, and; 2. Would people be able to pay for the house using private sector bank finance (whether commercial or Islamic)? The combination of willingness and ability are required for a programme like this, which relies on genuine market demand.

We can assess ability to pay in a general way, and we discuss how that is done and what the results of the Demand Survey tell us in the section that follows.

Willingness to pay (invest; buy a house) is best determined with clear details on location and design in particular, but an important first step (before investing time and money into further developing the land acquisition, services and housing delivery) is to draw conclusions on this level of willingness, as we have done in the demand survey findings in the sections above. As explained there, we believe there is significant interest and willingness in buying a smaller, affordable housing unit in all governorates in Jordan.

Ability to Pay – Demand Survey findings

People may be willing to buy a house, but do they have the ability (i.e., sufficient income) to do so? The JAH programme is seeking to deliver a smaller house at a price not currently available on the market (15,000 JD) which at the same time would be affordable for a large segment of the lower-middle income Jordanian population that does not have access to the housing market at present. Thus, we have focused on Jordanians in both public and private sector making between 300 and 500 JD per month, who could repay a mortgage loan of 12,000-12,500 JD, in monthly instalments of approximately 150 JD per month over 10 years. (See the above Section entitled, ‘What do we mean by an “affordable” house?’ for more detail).

From the Demand Survey, we have been able to quantify the universe of Jordanians with an “ability to pay” under these terms.

Table: Income Ranges

Jordanian Household Income	Column Labels					
	+1000 JD	500 - 999 JD	400 - 500 JD	300 - 400 JD	Under 300 JD	I don't want to answer
East Amman	6%	45%	23%	17%	9%	1%
Balqa	10%	26%	14%	30%	16%	4%
Irbid	5%	37%	26%	15%	9%	9%
Jerash	11%	27%	14%	24%	22%	2%
Karak	9%	32%	13%	27%	18%	1%
Madaba	10%	32%	29%	18%	9%	2%
Mafraq	3%	31%	23%	19%	20%	5%
Zarqa	2%	33%	29%	22%	10%	4%

From the table above we can see that in terms of total household income, we have a significant number of households that fall in the 300 – 500 JD range (although, of course, anyone with a household income over 300 JD could potentially afford the housing unit).

There are a few additional points of interest. Mafraq, Jerash, Karak and Balqa have the highest percentage of households making less than 300 JD / month. East Amman has the lowest – likely reflecting higher cost of living and higher salary potential.

Table: Population and Number of Households making 300 – 500 JD / month by governorate

Jordanian Household Income	300 - 500 JD / month	Total population 300 - 500 JD	Total households
East Amman	39%	519,479	98,015
Balqa	45%	190,717	35,984
Irbid	41%	467,576	88,222
Jerash	37%	71,753	13,538
Karak	40%	98,594	18,603
Madaba	47%	74,867	14,126
Mafrq	41%	123,874	23,372
Zarqa	51%	481,135	90,780
Totals		2,027,995	382,641

Now we consider a table that demonstrates people working in different sectors in Jordan:

Table: Current Occupation by Sector

Current Occupation								
Jordanians	Army	NGOs	Other, specify	Private sector employee	Private sector/own business	Public sector	Retired	Unemployed
East Amman	5%	0%	1%	23%	28%	20%	21%	2%
Balqa	4%	0%	8%	15%	29%	14%	25%	6%
Irbid	13%	1%	3%	9%	16%	23%	33%	2%
Jerash	7%	1%	1%	4%	15%	42%	26%	3%
Karak	18%	0%	7%	8%	13%	15%	32%	6%
Madaba	11%	0%	2%	9%	11%	30%	35%	2%
Mafrq	4%	0%	4%	2%	10%	36%	41%	2%
Zarqa	7%	1%	3%	12%	27%	25%	21%	4%

In looking at the table above, it is clear there is significant variation in concentrations by employer, between the governorates. We discuss the difference between public sector and private sector employment from the point of view of banks in the section below (to summarize: banks generally consider public sector employees to be most secure due to the certainty of their continual employment, and private sector employees to be somewhat less secure due to lower job security).

Table: Occupation Type and those making over 300 JD / month

Jordanians making over 300 JD / month	Public Sector, Army and Retired	Private sector / I have my own business	Private sector employee
East Amman	42%	26%	21%
Balqa	40%	24%	14%
Irbid	59%	13%	7%
Jerash	62%	9%	3%
Karak	57%	12%	7%
Madaba	70%	10%	7%
Mafrq	66%	6%	2%
Zarqa	47%	24%	11%

On a weighted average basis, we found 55% of the Jordanian population are either working for the public sector, army or are retired (there is no distinction between the source of pension income), or 470,000 household. This target grouping is seen as essentially having a “guaranteed” salary and we

expect such prospective clients can be pre-approved by banks for their housing loans. The same will apply to a private sector employee working for a listed company.

16%, or 135,000 households, work for the private sector or have their own businesses, and 11% or 92,000 households are private sector employees. These clients are treated by banks on more of a case-by-case basis, but standard parameters also apply. Industry norms are loan-to-value of 80% (going to 100% for public sector workers) and a maximum debt burden ratio of 40%, rather than the 50% that is applied to the first category of public sector borrowers.

This distinction is important, as it is normally the self-employed/private sector employees that are shut out of the housing market because they cannot access housing finance, and this is a market we also wish to support under the JAH programme as much as is possible. So we have a range of target clients across governorates, and this will require specific and tailored work with the banks working in those different areas (some banks have coverage in certain governorates and not in others) so that the loan product is suitable to local employment conditions.

It may be practical to start the programme with housing for public sector employees and private sector employees of large corporations, as this group will be more easily and readily get approval for the needed financing and as such will provide investors and developers with the needed comfort to encourage them to build the units. Once there is a more complete understanding of the demand and appetite for the smaller-sized housing unit, and clarity around land and construction costs, there should be greater willingness for developers, municipalities and others to provide supply-side inputs. While this is not an objective of the programme, it may be what happens naturally as banks will more readily approve public sector employees, making them clients for the first houses coming on the market.

Loan Product Profile

Banks in Jordan already offer mortgage loans (commercial banks) or lease-to-own (Islamic banks) to salaried employees as a standard part of their business operations. Loans are available to 25 years in tenor, at rates (or implied profit share) between 7% and 8%, and a loan to value or financing ratio of 80% (although for public sector Jordanians, this ratio can be up to 100%). The banks require the borrower's debt burden ratio to be at or below 50%, and often insist that the borrower maintains an account at the bank.

All banks have a typical Loan to Value (LTV) / financing ratio and Debt Burden Ratio (DBR) that they apply on standard housing finance products.

The loan to value (or financing ratio) reflects the maximum amount of financing a bank will offer relative to the value of the property. This notion applies equally whether borrowing from a commercial bank, or leasing through an Islamic bank.

Until recently, the banks in Jordan were applying a loan to value ratio somewhere between 65% and 75%. However in the past 18 months that has increased to a market practice "standard" of 80%. For government employees banks may be willing under certain circumstances to increase the LTV ratio to as much as 100%; that is they will provide financing for 100% of the property value (assuming the repayment/lease payment amount is within acceptable tolerances of total income). Conversely for a private sector self-employer or employee working for a small company, the banks may still agree to offer financing, only at a lower 65-70% ratio (hence providing greater security for the bank)

The Debt to Income (DTI) ratio simply refers to the amount of finance repayment obligations that can be taken on in relation to income from salary. In Jordan, this ratio is called the "Debt Burden Ratio" or DBR, and applies for both Islamic and commercial banks.

For the Debt Burden Ratio, banks tend to look at verifiable household income as a baseline, taking into account income from multiple sources, so long as it can be verified (i.e. it is not seasonal or informal). The banks are most comfortable lending to public sector employees as these individuals are expected to be employed essentially for life (which is why the banks are prepared in certain circumstances to loan up to 100% of the value of the property). The DBR ratio is up to 50% for public sector employees, and generally somewhat less for salaried private sector employees; self-employed private sector workers are generally considered on a case-by-case basis during the loan underwriting process.

Borrowers with non-verifiable, informal or self-employment income can be considered on a case by case basis. However, based on our demand survey findings we anticipate that there should be sufficiently strong demand from the verifiable (i.e. salaried) segments, to avoid the banks having to move towards riskier lending practices early in the programme’s life.

Alternatively, the financing could be undertaken over a longer period (than the 10 years proposed), making the monthly repayment amount smaller and therefore more affordable to households with smaller incomes. However, this would result in the unit not being available as quickly (for conversion to a larger size double unit), unless more capital is found and applied by the household from elsewhere. Longer tenor borrowings also entail repayment of additional amounts of interest (or profit share) throughout the life of the loan. For example, repaying 12,000 at 7.75% over 10 years the borrower will pay JD 5,281.50 in interest; repaying over 20 years at the same interest rate the borrower will pay JD 11,643.30 in interest charges.

For the purposes of the JAH programme, we will be seeking, as much as possible, to deliver a standard loan product, with similar credit determination criteria, although banks can of course compete on price (at market rates, to ensure the product can be sustainable). The details of this standard loan product are being prepared in conjunction with commercial and Islamic banks.

Bankability Data

We have noted that some people believe that certain segments of the Jordanian population do not trust or use banks, and would prefer to use other, informal means to save and borrow money. However, 80% of all Jordanians are “banked”. The Demand Survey has brought out some clear indications around use of and access to finance that show a more wide-spread use of banking services, which supports a programme like JAH in terms of comfort of the Jordanian families in making use of commercial or Islamic banking products.

Do you have any dealing with banks?	No	Yes
Jordanians		
East Amman	29%	71%
Balqa	24%	76%
Irbid	14%	86%
Jerash	16%	84%
Karak	17%	83%
Madaba	14%	86%
Mafrq	17%	83%
Zarqa	19%	81%

There are also clear indications that Jordan is moving towards a “banked” society. Government employees are all required to have a bank account in which to receive salary, and many private sector companies have the same requirement. The army (both active and retired) are also obliged to have a bank account. According to Jordan Dubai Islamic Bank, the industry goal is to have all Jordanians banked by 2017. This creates a very good foundation for moving clients into loan and mortgage products.

Table: Jordanian Banking Use: Account, Savings, Loans, Other

Jordanians				
	Bank account	Saving	Loan	Other
East Amman	81%	4%	31%	1%
Balqa	94%	14%	40%	0%
Irbid	95%	9%	36%	0%
Jerash	88%	3%	21%	0%
Karak	97%	11%	43%	0%
Madaba	80%	4%	27%	1%
Mafraq	97%	7%	31%	1%
Zarqa	92%	22%	17%	0%

The table above indicates the percentage of Jordanians, per governorate, that use bank account, savings account and loan products.

Table: Preferences of Jordanians for Type of Bank – Islamic or Commercial or none

Do you have objections regarding the type of bank you deal with?				
Jordanians	No preference	I will only deal with Commercial Banks	I will only deal with Islamic Banks	Other
East Amman	43%	15%	42%	0%
Balqa	59%	9%	30%	2%
Irbid	47%	13%	35%	5%
Jerash	49%	5%	45%	1%
Karak	49%	10%	38%	3%
Madaba	46%	5%	45%	4%
Mafraq	16%	14%	64%	5%
Zarqa	44%	7%	40%	8%

The table above compares the use of commercial and Islamic banking products against the preference for commercial, Islamic or “no preference” banking. It should be noted that the “preferences” question in Table was asked of all survey respondents, while the “uses” question in the Table below was asked only of those who had taken loans.

The table below suggests that people wish to use Islamic banking, but either do not have access to or do not find suitable products from Islamic banks, potentially due to lower transparency on pricing and perceived or real higher prices. For the JAH programme, then, it will be important to develop a product that is transparent and that comes as close to commercial bank market offers as possible.

Table: For those with loans, which type of bank was used?

What is the type of bank you got your loan from?			
Jordanians	Commercial Bank	Islamic bank	Other
East Amman	82%	3%	15%
Balqa	68%	23%	9%
Irbid	53%	39%	8%
Jerash	38%	60%	3%
Karak	55%	38%	7%
Madaba	54%	41%	5%
Mafrq	45%	50%	5%
Zarqa	52%	40%	8%

Demonstration Houses

Changing the perception around acceptable housing size will be greatly enhanced by having demonstration homes that allow Jordanians to “see and feel” the finished product for themselves. Under this programme, 4 – 5 sites will build up to 4 units – 2 in their smaller size of 60 – 65 sqm and then a full-sized unit showing how the units will look when either expanded or combined at a later stage. Because this programme will not have one type of model house – there will be options for row housing, stand alone housing and apartments, and options that will allow for vertical or horizontal expansion – different types of model homes will be built in different locations. And, of course, there is no obligation to use one of the model designs – but it is likely that a well-designed and innovative idea will be useful for developers and buyers as they seek a decent quality, affordable house.

The JAH programme, working together with the Jordanian Engineers Association, recently launched a Design Competition, seeking housing designs from the best Jordanian architects, engineers, developers and contractors through an open, national design competition.

To design and detail the Terms of Reference of this competition, a Preparatory Committee was established to advise the JAH Project. On 20 January 2015, a Design Competition meeting was held, hosted by the Jordan Engineer’s Association. During that meeting, the Terms of Reference for a national Design Competition for the JAH programme was discussed and designed, and a ToR which conforms to the JEA Terms and Conditions was produced. The Design Competition was launched the week of 15 February and the competition will be open for six weeks.

5,000 JD in prize money has been donated for this competition by the Investor’s Association thus far and it is hoped that some further funding can be found from corporate sponsors. JEA is contributing cash and in-kind assistance for all stages of the Design Competition.

A jury will review and select winning designs in April, and it is expected that one or more of these designs will be used for the model houses, which will be built in the second half of 2015.

Analysis of the Banking Sector in Jordan

Background/Historical Performance Overview:

The Banking sector in Jordan is well regulated, highly conservative and suitably capitalised. This strength and depth have served Jordan well as the sector has remained stable and as a consequence has been able to withstand the recent years of global financial downturn, as well as the regional political instability, relatively comfortably.

Major disruptions, including the fall-out from the global financial crisis, the Arab Spring and resulting disruption of the Egyptian natural gas inflow, the conflict in Syria (which has been accompanied by a large influx of Syrian refugees), and compounded by a high oil price, have presented major challenges. In conjunction with responsive economic and monetary policy, the stable banking system has contributed to Jordan's capacity absorb these economic shocks. Against this backdrop, the banking system has done well to maintain, and modestly grow its collective balance sheet.

Total assets of licensed banks remained above 200% of GDP during the period 2007-2013, reflecting the importance and the size of the Jordanian banking sector to Jordan's economy as a whole. Total assets increased by 60%, or just under JD16 billion, from JD26.81 billion at the end of 2007 to JD42.8 billion at the end of 2013, representing a compound annual growth rate of slightly over 8.1% during the period²³.

Year on year, although capital and reserves increased to JD 6.146 billion in 2013 from JD 5.848 billion in 2012, the rate of increase has slowed over the past 5 years, reflecting the challenging economic environment overall. During the same period, the leverage ratio remained stable at about 13% while the capital adequacy ratio as measured by the Central Bank declined slightly to 18.4% from highs of 20%.

While total credit facilities, comprising i) Loans and Advances, ii) Overdrafts and iii) Discounted Bills/Bonds, extended to all customers have grown by 68% or JD 7.6 billion over the period between 2007 and 2013, during the same period customer deposits grew by JD 11.6 billion (or 72.6% to the end of 2013). Between 2012 and 2013, the distribution of credit facilities according to economic activity showed a notable increase in credit facilities extended to "construction" and "other credit facilities" (the latter representing facilities extended to individuals for consumer purchases), by JD 403.8 million or 11%, and JD 314.5 million or 8.2%, respectively.

Significantly, growth of new credit facilities represented just 48% of new asset growth between 2007 and 2013, suggesting the banks continued to find the deployment of loan capital to be challenging, although encouragingly for the JAH programme, the construction and consumer lending segments were areas of emphasis. Of the total growth credit facilities over the period, JD 7.6 billion, loans and advances represented JD 7 billion of that number.

During the same period, non-performing loans increased from JD 550 million or 4.1% as a percentage of total loans 2007, to JD 1.29 billion or 7% in 2013 (declining from a highpoint of 8.5% in 2011). This deterioration in the portfolio while readily explained as a consequence of the difficult economic factors may also help explain the continued conservatism of the banks with respect to their deployment of loan capital. The banks' credit risk experience may have led to a slowing effect on business development as the banks are generally reluctant to move into new areas of business or market segments perceived as riskier during times of portfolio deterioration.

²³ According to Central Bank of Jordan statistics

Total credit facilities represented only 44% of Total Assets in 2013 up marginally from 42% in 2007. Comparatively, Loans and Overdrafts were 38% of total asset in 2013. So, although loans are being granted they are not keeping pace with the rate at which deposits are being attracted. As a result of this mismatch, although the banks are remaining highly liquid - which is a favourable condition in terms of financial stability - since they are not deploying loan capital as effectively as they perhaps might wish - or at least to keep pace with the rate at which they are attracting deposits - there is downward pressure on both their Return on Assets (ROA) and Return on Equity (ROE) which are running below historical, and aspirational target levels.

And the Return on Asset and Return on Equity numbers (below, from the Central bank of Jordan Statistical report) reflect just that:

	2008	2009	2010	2011	2012	2013
ROE	11.5%	8.8%	8.8%	8.3%	8.6%	9.9%
ROA	1.4%	1.1%	1.1%	1.1%	1.1%	1.2%

Targets for Banks’ ROE would be in the low to mid-teens (12-15%) and for ROA 1.4% - 1.8% would be expected.

Based on these factors, it is reasonable to expect the banks would be interested to increase credit penetration in an under-developed market segment, particularly if the loans deployed will carry a favourable risk weighting. In Jordan, as any other countries following the Basel recommendations,²⁴ on risk weightings, loans secured by property have a lower risk weighting resulting in improved ROE returns to the lender. (Loans appropriately secured by property generally carry a risk weighting at 50% of that of a similar unsecured loan product, reducing the bank’s regulatory capital requirement to be held against those assets and improving the bank’s ROE for those assets).

Bank Overview

There are 26 banks operating in Jordan - thirteen domestic and nine international commercial banks, as well as four Islamic Banks - three domestic and one international.

The number of licensed banks increased in 2009 from 23 to 25 banks, after the Central Bank granted licenses to two banks (Jordan Dubai Islamic Bank, and National Bank of Abu Dhabi), then to 26 when CBJ granted a license to the Saudi-headquartered Islamic bank, Al Rajhi Bank, which opened a branch in Jordan in 2011.

²⁴ Basel recommendations are a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk.

Established	Bank Name
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Domestic	
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1930	Arab Bank PLC
1956	Jordan Ahli Bank PLC
1960	Bank of Jordan PLC
1960	Cairo Amman Bank
1974	The Housing Bank for Trade and Finance
1977	Jordan Kuwait Bank
1978	Jordan Commercial Bank
1978	Arab Jordan Investment Bank
1989	Arab Banking Corporation (Jordan)
1989	Investment Bank
1991	Union Bank
1993	Societe Generale De Banque-Jordanie
1996	Capital Bank of Jordan

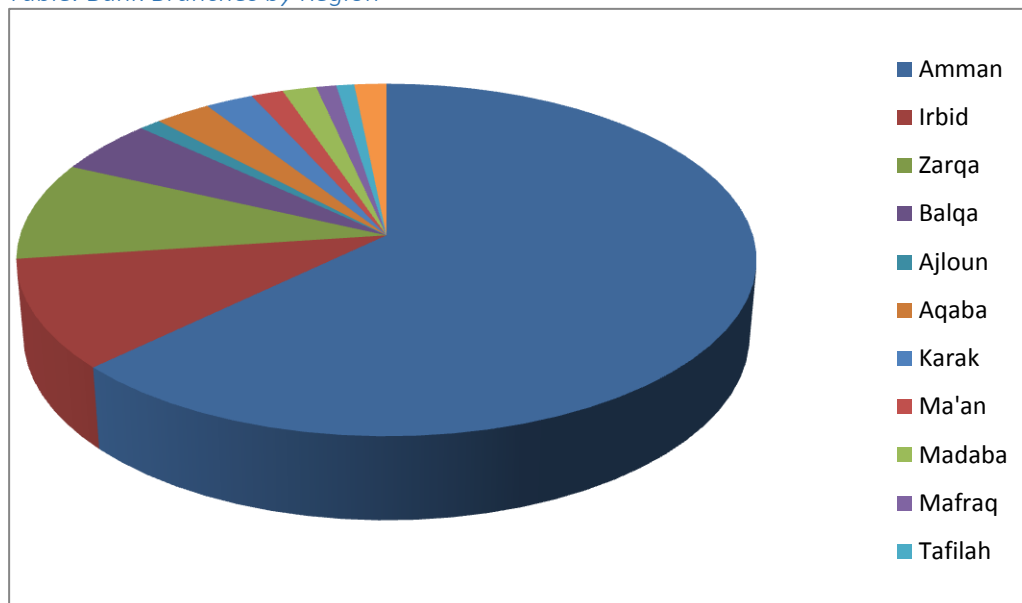
Foreign	
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1949	HSBC Bank Middle East LTD
1951	Egyptian Arab Land Bank
1957	Rafidain Bank
1974	Citibank N.A.
1969	Standard Chartered Bank
2004	National Bank of Kuwait
2004	Banque Audi SAL/Saradar Audi Group
2004	BLOM Bank
2010	National Bank of Abu Dhabi

The geographical distribution of branches by governorate indicates that the largest number of branches is concentrated in Amman, which accounts for 62.8% of total branches, followed by Irbid which accounts for 10%, then Zarqa 9%, and the share of the remaining nine governorates is about 18% of branches in the Kingdom.²⁵

²⁵ Association of Banks Report, Jordan, 2012

Table: Bank Branches by Region



The distribution of Automatic Teller Machines (ATMs) does not differ significantly from the branch distribution (66.5% Amman; 10.3% Irbid; 6.9% Zarqa and 16.3% in the remainder) suggesting that the banks have needed to deploy ATMs in support of existing bank operations, rather than to extend reach.

This concentrated distribution of delivery channels suggest that the banks may face some logistical and product delivery challenges in the less well penetrated governorates, including Ajloun, Karak, Ma'an, Madaba, Mafraq, Tafilah and Jerash.

Commercial Banks in Jordan

The commercial banks are more established in Jordan, with the first Islamic bank, Jordan Islamic Bank, not beginning its operations until 1979, when it launched into a market where 8 domestic and 5 foreign commercial banks were already present. Consequently it is the commercial banks which still control most of the bank assets (c. 85% as at FYE 2011) According to one analyst report²⁶, Arab Bank's assets alone at FYE 2013 were JD 24.54 billion or comparatively, over 57% of the total banking systems assets according to CBJ numbers²⁷.

Commercial banks also continue to contribute the majority of the credit facilities (84% as at FYE 2011) and attract the majority of the deposits (83.7% as at FYE 2011).

The table below captures the Jordanian listed commercial banks only; these alone constitute the majority of the commercial banks by asset size, deposits and lending activity.

²⁶ AWRAQ Investments – Jordanian Banking Sector 2013

²⁷ The CBJ figures relate to Bank assets in Jordan only; the AWRAQ figures are presumed to reflect global positions and so overstate the size of certain bank's Jordanian asset base.

Listed Commercial Banks	2103 Total Assets (million JD)	Savings & Term Deposits	Mortgage Loan Book	Percentage of Max lending	NPLs
Arab Bank	24,538.37	10,214.56	194.61	9.53%	7.11%
Housing Bank for Trade and Finance	7,227.90	3,791.36	762.09	100.50%	11.03%
Bank of Jordan	1,994.71	1,145.00	174.60	76.24%	11.36%
Jordan Kuwait Bank	2,403.19	998.45	155.75	78.00%	8.70%
Cairo Amman Bank	2,189.66	1,004.90	127.48	63.43%	5.62%
Jordan Ahli Bank	2,599.49	1,354.47	136.67	50.45%	13.68%
Capital Bank of Jordan	1,683.67	773.15	104.46	67.55%	10.56%
Bank Al Etihad	1,822.97	867.51	148.45	85.56%	9.88%
Arab Jordan Investment Bank	1,170.06	420.09	70.97	84.47%	8.42%
Investbank	739.10	359.25	40.25	56.02%	10.86%
Arab Banking Corporation	880.01	444.41	66.90	75.27%	5.68%
Jordan Commercial Bank	947.06	492.45	78.61	79.82%	13.93%
Societe Generale de Banque Jordanie	533.10	303.63	51.95	85.55%	19.15%
Total	47,249.13	21,373.15	1,982.23		

As confirmed by discussions with the Central Bank, the banks in aggregate appear to have ample capacity to take on additional term mortgage lending, based on a regulatory limitation at 20% or below of core deposits, as can be seen in the table above. With total deposits for the listed banks in the table above at just over JD 21 billion, these banks alone have the capacity in theory, to double their total mortgage lending in aggregate from JD 1.9 billion to just over 4.2 billion (=20% of 21,373.15). This is encouraging as the potential financing required for the programme is in excess of JD 360 million. Banks are further supported by the Jordan Mortgage Refinance Company which can offer 80% portfolio risk participations, enabling the banks to write (up to 5 times) more mortgage business with the same capital.

A brief outline of the programme economics is provided here for completeness: The programme aims to construct 30,000 units over 3 years, with a ramp up - 5,000 year 1, 10,000 year 2, 15,000 in year 3. The units will cost JD 15,000 each, so the total construction cost will be in the order of JD 450 million. (= 15,000 x 30,000). The banks in Jordan tend not to finance above 80% of the value of the property, although some will go higher in certain cases, notably for government employees. But using the 80% measure, that suggest the financed amount under the programme would be around JD 360 million (=12,000 x 30,000). The 20% differential will be provided by the purchaser who may contribute the land (in instances where the unit buyer already owns land), or cash, or a combination of the two. Understanding that the banks have capacity multiple times above this suggests that there will be no constraint on bank involvement due to lending capacity.

Islamic Banks in Jordan

Formal Islamic Banking started in Jordan in 1979 with the establishment of the Jordan Islamic Bank. There are now four Islamic banks operating in Jordan – the Jordan Islamic Bank, the Islamic International Arab Bank (which is the Islamic finance arm of the largest commercial bank in Jordan, Arab Bank), Jordan Dubai Islamic Bank and Bank Al-Rajhi.

Historically Islamic Banking has been dominated by Jordan Islamic Bank, which has been in operation since the start of 1979. The Islamic International Arab Bank was established in Jordan in 1998, Jordan Dubai Islamic Bank started operations in 2010, and Bank Al-Rajhi established a Jordanian presence in 2011. The entrance of these two new Islamic banks in Jordan after a long period suggests that there is growing competition for this market share. Although the Islamic banks have a small share of the market, they appear increasingly interested to compete for market share, all have products tailored to house purchase, and all are interested in this segment (we understand that Jordan Dubai Islamic Bank is aiming to elevate its minimum income/net worth requirements for clients, however we have been assured that JDIB will have a product available for the programme).

The Islamic housing finance product broadly operates as a lease to own arrangement. The bank buys a house at an agreed price for a purchaser. (The house must be (very nearly completed or) completed and ready for occupancy; purchase “off plan” is not generally possible). The purchaser makes an agreed monthly lease payment to the bank. The payment amount is subject to annual review and revision, though in practice we are advised it seldom changes. At the end of the lease term, the lessee takes ownership of the property from the bank in consideration of the final payment and/or a nominal additional sum. Although Islamic banks do not charge interest, working instead on an agreed profit for the service of buying the property, they recognise they are operating in a market where the large majority of commercial bank competitors offer transparent repayment calculators to enable prospective clients to understand the monthly cost of financing. As a consequence; the Islamic banks appear to be matching the commercial banks, even going as far as offering a repayment calculator on their websites.

The Islamic banks generally offer housing finance loans using an “Ijara” product. These financings are subject to annual review (and potentially to alteration in the payment amount) and can be renegotiated at any point, so partial and or early pay down are possible annually on reset date, without penalty. There is no means to fix the repayment amount for the entire loan term under the “Ijara” product. IIAB is currently unable to offer a fixed term beyond 6 years, and at a relatively high cost. JDIB indicated that it can offer an 8 year “Murabaha” product, but that to get this to 10 years would require the permission of their Shar’ia council, as well as the Credit Department and the Asset Liability Committee. Although this would provide a fixed repayment amount, the repayment terms once agreed would be non-changeable, so there could be no early repayments, and the customers would be expected/obliged to repay the full amount including the full calculated profit over the original expected life, making early repayment expensive. The terms under a “Murabaha” contract would normally not be re-negotiated; to do so would require an exceptional approval of the Shar’ia council.

Islamic Banks use the Financing Ratio as a measure of maximum financing relative to the property value: a concept similar to LTV (loan to value). They also tend to use the DBR (debt burden ratio). Exactly parallel to LTV, the amount financed by the bank relative to the value of the property purchased by the bank on behalf of the client, tends to be up to 80%. In certain cases this can increase towards 100%, similar to the commercial banks which will in certain situations offer a 100% loan. Given that the Islamic financing arrangement is an annual contract, it have been advised that it may not be possible to reach a 100% Financing Ratio, as the 1st year profit “roll up” it included in the exposure, so depending on the level of profit that would entail an 85-90% maximum financing ratio. The debt burden ratio is the same measure as that used by the commercial banks. Given that the majority of credit extended to the retail sector is originated by the commercial banks, there is some sense in the Islamic banks using the same measure as total household indebtedness at any point may well be comprised of both Islamic and commercial debts.

The discussions with Islamic Banks (we have spoken with the Jordan Islamic Bank, the Islamic International Arab Bank and with Jordan Dubai Islamic Bank thus far) have led the JAH programme team to draw the following conclusions:

- Islamic banks are very interested in expanding market share.
- That they are seeking to match and slightly better commercial bank offerings in the housing finance space, either through price, service or both.
- That they should be able design a loan product that can be well understood by clients and that will result in the same or very similar monthly payment as a commercial bank client.
- Although the Islamic Banks seek to be flexible they are governed by Shar'ia councils which are conservative and reluctant to accept change.
- Better experience with consumer protection although this may lead to higher prices.

Non-Bank Financial Institutions

We have also met with two US AID supported financial services operations, the Jordan Loan Guarantee Facility (JLGF) and Vitas (formerly MEMCC). The Jordan Loan Guarantee Facility is a \$250 million, OPIC-backed facility providing support for SME lending. JLGF uses partial loan guarantees (60% in Amman, 75% outside) with customized technical assistance for participating banks and non-bank financial institutions (NBFIs), the JLGF is aiming to strengthen the capacity of the Jordanian financial services sector to meet the SME markets credit needs. Although there is no immediate synergy with the JAH programme, JLGF may provide improved access to credit for targeted small and mid-sized construction companies interested to participate in the programme.

Vitas Jordan, when it started in 1998 was designed to provide microfinance to the residents of Southern Jordan. The project transformed into a nationwide programme when it became MEMCC (Middle East Micro Credit Company) in 2003. Today, Vitas Jordan is one of the largest microfinance institutions in Jordan providing a selection of micro-loan products. Although house construction is not one of the company's products, general manager acknowledged that it might be possible to lend to a micro business and allow the owner to use some proceeds for not specific or related purposes. Interestingly, IAB already offers such a cross over product to its clients 'R-SME', so this may be a means by which the commercial banks could provide a similar offering.

The Jordan Loan Guarantee Corporation (JLGC) was founded in 1994 to guarantee loans to small and medium sized organizations. Its shareholders include Central Bank of Jordan (on behalf of the Government of Jordan 47.5%), and CVDB 5%. With an ability to guarantee amounts up to JD 550,000, JLGC has an existing guarantee product it offers to banks on mortgage loans. It will insure up to 75% of exposure for 1% per annum. This is potentially an interesting risk sharing mechanism (underwritten on a loan by loan basis) for banks wanting to expand into either mortgage lending, or this market segment more gradually. JLGF currently does not insure construction finance loans, although working capital loans to construction companies are presumably possible.

What is housing finance?

It can be useful to dissect housing projects (from a financing perspective), into two different staged transactions. Generally, the first is shorter-duration financing to buy the land (if applicable) and construct the homes – the construction finance. It is also a normal practice for the project to have some level of equity contribution at this stage, either in the form of contributed land, which can then be used as collateral for initial construction financing, or in cash acting similarly as equity support for the remainder of the financing.

The second phase of financing is longer-duration mortgage finance for individual purchasers, allowing the finance for construction to be repaid. This is often called “take out” financing, since it repays the initial investment for construction. It is common, in countries where the mortgage sector is still shallow, to find that there is very little construction finance, not because of lack of demand, but because of the absence of cost effective and persistent long term take out financing, once houses have been constructed. Investors are unlikely to invest in the development of housing projects unless they are confident that there is demand for the finished units **and** those interested to buy the units have access to sufficient financing.

In Jordan, the banking sector strength is such that JAH team are confident about the availability of sufficient “take out” finance (whether in the form of mortgage or lease to own); for this reason we are also reasonably confident that developers and investors will provide the needed construction finance for the housing units to be delivered. At the same time, construction finance is considered a risky investment for a number of reasons, including quality control, completion risk, supply chain interruption, rising material costs, theft, fraud, etc. As we move the JAH project forward, the JAH entity-UN-Habitat can play a role in working with developers in order to identify and facilitate construction finance investment to ensure houses can be built.

It may be useful to point out that in Jordan, as in many emerging and middle income economies, people often self-build their homes incrementally overtime, as they can afford to do so. This is evident in the housing that can be seen across Jordan, with houses completed at the ground floor level, but with concrete and rebar columns showing intention to expand the house over time. In these contexts, people will save or borrow to build the house in increments, using housing microfinance or home improvement loans – essentially, “staggered” construction finance. These are small, short-term financing tools and do not generally include using the house as security, which will occur when financing a completed house.

Housing finance (whether mortgage or lease to own) for public sector workers in Jordan goes as far down as housing supply prices go – so delivering a house at a genuinely affordable price will (should) fairly easily unlock housing finance for this target market of the banks. The design and delivery of desirable, smaller-sized housing units will be central to the success of this programme.

Availability of bank finance for the self-employed or those working in the many parts of private sector will be more challenging for banks to deliver. We believe there is significant appetite in the Jordanian banking sector to reach these clients, but to date there is more limited experience in providing finance of any sort to the lower middle income brackets (JD 300- 500 per month in household income). Banks have indicated that they are interested in expanding their client base and moving down into the middle and lower market, but they will likely do so only gradually and incrementally. What they will not do is “leapfrog” from one end of the credit continuum (where they are already comfortably offering finance) to the other (where they have no experience of the client repayment behavior, or persistency of employment) without being secured in some way. So this means that another very important part of

the JAH programme will be the design and delivery with the banks of an affordable housing finance product for private sector employees and ultimately the self-employed.

Will the programme require guarantees? It is possible to get banks to move along the “credit continuum” such that they are gradually willing to offer their loan products to progressively lower income client groups. This is especially true if they are seeking to expand into new markets. But where they are reluctant to do so, or where the banks consider the risks to be unknown, they may require some level of guarantee. This could apply to the “take-out” finance for the individual purchasers, as well as to the required construction finance for certain construction companies or developers that decide to deliver the affordable housing units. JAH will work to facilitate the provision of guarantees if and when these may be required; two guarantee companies exist in Jordan and have confirmed that they would be prepared to take part in the programme.

Once the banks saturate the salaried (government and listed private company) employee demand for credit for house purchases, they will have to turn increasingly to smaller-scale private sector employees and the self-employed to market their finance product. Certain of the banks already provide finance to this segment. As banks become more comfortable and develop more data about the credit behavior and employment persistency of employees working for smaller employers, comfort in lending to private sector employees should increase. The pending establishment of the national credit bureau will be very useful in this respect. Lending to self-employed individuals will continue to require case by case analysis. Lending to the very low income and informally employed will remain highly challenging.

Again the establishment of a central credit bureau will be invaluable in this respect as it will give banks improved access to potential client’s repayment behavior. To the extent that credit support is needed to encourage banks to make financing available to earners not falling within standard lending parameters (300- 500 JD monthly HH income, DBR less than 50%, LTV under 80%, bank account, guarantor available), there may be a case potentially to introduce subsidy or guarantee elements provided that will reduce interest rates (via risk based capital relief, for example) or lessen loan to value exposures through private sector guarantee or mortgage insurance, in order to provide opportunity to an increased number lower income Jordanians to participate who might not otherwise be able to finance a housing unit.

Separately from the subsidy and guarantee elements intended to be used to increase access for lower income purchasers, direct subsidies and guarantees may be required to improve the attractiveness to middle and lower middle income Jordanian families to purchase these units and install a vulnerable Jordanian or refugee family in the near/medium term; these direct subsidies and guarantees will likely be donor funded initiatives. Given that there are programmes currently handing out cash to the vulnerable families and/or to prospective landlords housing them, the JAH programme would envisage a mechanism to do that under the programme directing the monies to be held at the financing bank for a period of time in satisfaction of an obligation of the purchaser to house the vulnerable families. Obtaining these direct subsidies will not be automatic under the programme, and borrowers wanting to install family members may do so, without the subsidies; notably the financing proposition will remain at market.

Savings and Deposits

Buying a house requires a deposit. Land may be used as a deposit contribution and for government salaried employees, banks have indicated under certain circumstances they may forgo a deposit and lend up to 100% of the loan to value (based on the persistency of public sector employment). For all other clients, we expect that buyers under to pay up to 20% of the purchase price as a down payment; approximately 3,000 JD.

The table below shows responses to the question on whether or not people have savings they could bring to bear. It is interesting to note the high number of people who indicated that they did not wish to respond; this may indicate that they do have savings or other assets, but they wish to protect these from the knowledge of the surveyors (or more generally). They may have savings, but have them “earmarked” for some other use. Or, there could be the belief that people with savings will be excluded from potential subsidized or low-income programmes. In reality, savings are a very important means for any income level to manage their finances, and helping potential buyers start savings programmes in order to build up the required funds for a deposit is something that could be built into the programme as “financial awareness” support to those households that do not yet save.

If a household knows they wish to buy a house or apartment, for example, they can begin to make a monthly “payment” into a savings account of the same amount they would be required to pay for a mortgage each month. This will help them save the deposit while the houses are being constructed – at 150 JD per month they will have 1,800 JD saved in one year. It will demonstrate their repayment capability to the bank – very useful for self-employed or private sector employee participants. It will also help the household itself determine their own comfort with paying the mortgage amount on a regular basis.

Of course, for many, saving for a housing down payment is difficult when paying rent at the same time. Some people will borrow the deposit from extended family; others may sell an asset. And there are some who do have savings, as the table below indicates:

Table: Savings

Do you have any savings in cash or kind?			
Jordanians	I do not want to respond	No	Yes
East Amman	3%	93%	3%
Balqa	21%	61%	18%
Irbid	24%	59%	17%
Jerash	17%	78%	5%
Karak	23%	57%	20%
Madaba	6%	85%	8%
Mafraq	18%	50%	32%
Zarqa	19%	66%	15%

Subsidies, incentives and rate protection – what these mean for JAH

A few words on Interest Rate Subsidy

During discussions in Jordan, and most commonly with Government partners, stakeholders sometimes propose the use of interest rate subsidies in order to make a housing loan more affordable. A reduction in interest rates can make a difference in monthly repayments for a household, and indeed the Government of Jordan has attempted to provide subsidized interest rates through the “Decent Houses for Decent Living” programme.²⁸

But such subsidy will necessarily only have a limited effect, and it is very expensive to fund. For example, under the JAH programme, assuming 30,000 borrowers with mortgage loans of 12,000 JD over

²⁸ It should be noted that this enforced subsidy meant that certain banks opted out of the programme entirely, as it was neither sustainable nor profitable for them to deliver mortgage finance at a subsidized rate.

10 years at 8%, the funds needed to “buy down” the interest rate to 5% will be JD 2,150 per household or JD 64.4 million (\$91 million).

In addition, the use of subsidy can have pervasive, long term negative effects on the development of a financial sector, and it is not something that has been put forward by any of the Jordanian banks. As long as there are subsidized loans available, banks will not be able to provide housing finance products at commercial rates, as there will be little or no uptake by consumers expecting or gaining access to lower rates. Housing finance for lower income borrowers, then, will be limited, to the amounts of cash that can be (raised and) delivered via the subsidy. It will not be possible to deliver housing finance at scale without market-driven finance products that generate a fair profit for the banks.

There is a belief that banks can offer lower rates of interest to low income borrowers, and potentially simply reduce their own profit, and that this can have the same effect. In reality, this makes little difference – and not simply because the banks want to maintain a high profit. In order to understand what motivates banks in Jordan in setting interest rates, it is useful to understand the following:

1. The final interest rate that a bank uses to lend funds is comprised of 4 elements:
 - a. the cost of capital (the rate of return they offer to shareholders, the cost of any long term debt capital facilities, deposit rates paid depositors, for example all contribute to the number);
 - b. operating and administration expenses (including cost for non-performing loans);
 - c. the risk premium and required reserving (as directed by regulation, and as the bank deems prudent), and;
 - d. a desired profit margin.
2. Central Bank of Jordan monetary policy that essentially sets certain base rates of interest and reserve requirements that regulate the banks.

Banks have flexibility only in the portion of the interest rate that comprises their desired profit margin, and the alterations that can be made in that area are often relatively small. For a bank operating in Jordan, it is estimated that on a loan of 8%, their profit margin is likely to be less than 2% on their current mortgage lending, making it impractical and un-commercial for them to offer lower interest rates for a market segment with which they are not yet comfortable.

If an Affordable Housing programme is designed in such a way that the house price is within reach of the borrowing and repayment capacity of the target market, there is in fact no need for an interest rate subsidy. That is what UN-Habitat is proposing for the Jordan Affordable Housing programme: that the house be affordable to the target market (those making 300 – 500 JD per month) based on current market rates and using a tenor of at least 10 years (loan tenor can be longer, if desired); the justification for 10 years is that the house can be expanded sooner, once the mortgage is fully paid), it should cost no more than 15,000 JD. And JAH will also work to ensure, as much as possible, that banks will offer the same interest rates to low-income borrowers as they will to upper income clients, even if normally the risks associated with these lower income groups are seen to be less well secured and so to be higher.

If subsidy is available, there are ways to make housing more affordable for the poor, such as using the same government or donor funds for land, housing or cash payments rather than providing them in the form of reduced interest rates; support for an enabling environment, banking incentives, fee reductions and guarantees are other options. Jordanians would then pay prevailing market interest rates, allowing the mortgage market to move down the income pyramid across a range of local banks.

Incentives Sought under the JAH Programme

There are a number of other incentives that the JAH programme will seek in order to keep the house price in the affordable range as much as is possible. Some of these are as follows:

- Reduction of mortgage fees.
- Removal of registration fees and taxes.
- Inclusion of life insurance and property cover on monthly mortgage payments (if not already included).
- Potential cap or collar on interest rates so they are fixed within a range over the 10 year period.
- Potential partnership with private sector Guarantee Companies in Jordan for application on specific types of finance (construction finance, for example) and/or specific client groups (the self-employed, for example). This may also necessitate partnership with an International Financial Institution.
- Access to incremental liquidity for selected participating banks that have exceeded their housing loan maximums, if the Jordan Mortgage Refinance Company is unable to provide this for particular instances.

Next steps in bringing private sector finance and investment to the JAH programme

With confirmed interest in the JAH programme and the willingness to provide programme specific products available at all the banks we have spoken with, the JAH programme team are now moving into the stage of discussing and designing the loan products that will likely be needed moving forward.

During February mission to Amman (15 Feb – 3 March 2015) a commercial bank workshop was held with participants from Housing Bank, Cairo Amman Bank and Bank of Jordan. In addition, one-on-one meetings were held with the Jordan Dubai Islamic Bank and the Arab International Islamic Bank. The objective of these working meetings was to discuss the initial loan product outline for the JAH programme. The UN HABITAT objective is to have a working relationship with each interested bank to develop a standard (or similar) loan product that each of the participating banks can choose to offer their clients.

The JAH programme team were able to achieve consensus on what was possible, and both the JAH Programme and the loan product outline were presented to all interested banks at a meeting hosted by the Banker's Association on 2 March 2015. All attending banks (20 participants) were in support of the loan product outline and the programme, and now await further progress and information going forward.

The work underway now is as follows:

- JAH programme team has begun the process of identifying standard housing loan products that will inform specific Islamic Bank products and Commercial Bank products so that they are equivalent and competitive;
- JAH programme team is working with banks in designing housing loan products for non-salaried Jordanians at equivalent cost (albeit with different credit determination and oversight process); ascertaining and securing support for this target market if needed.
- JAH programme team is exploring and unpacking those issues related to sharia-complaint finance that may impact developer demand for down-payment for construction; options for "halal" construction finance require further investigation.

- JAH programme team is seeking options and mechanisms for “pre-approval” for mortgage and housing finance products, to allow developers a ready market for the housing units as they come on line;
- Housing improvement loans may also need to be designed and considered as we may find a segment under this programme that need to complete / expand or improve an existing dwelling; this option may be an important link for the JAH Programme with other shelter actors in Jordan, and we are working to understand and apply what may be possible through the use of guarantees or other innovative structures.
- JAH programme team has been in discussions with the Central Bank regarding regulations that will affect the delivery of the programme finance and whether and how those might be adjusted for a more affordable loan product.
- JAH programme team will work to develop overall product design and financial structuring for the programme further into Phase 1 (pending funding), including the potential inclusion of guarantee companies, International Finance Institutions or other important players (including donors) in the overall design and programme credit support if required, if the banks are not sufficiently comfortable lending to non-salaried (ie professional or self-employed) households.
- JAH programme team will, pending funding, design and guide implementation of borrower education programmes;
- Ultimately, and based on product and programme outcomes above, JAH programme team will design interface and operational guidelines for combined grant/finance solutions within the JAH programme, and;
- JAH programme team will continue to explore potential subsidies with Government and International Financial Institutions and research and develop guarantee and credit enhancement options to improve access to finance for low income borrowers and tenants – to fill “access to finance” gaps that may arise in this process.

The Role of Government in the JAH Programme

For a national housing programme like Jordan Affordable Housing to be effective and reach scale, the role of national government will be critical. For JAH, the Ministry of Public Works and Housing and the Housing and Urban Development Corporation (HUDC's Board of Directors is chaired by the Minister of Public Works and Housing) and the Ministry of Municipal Affairs will be crucial, as will be the Ministry of Finance, the Department of Land and Survey and the Central Bank of Jordan.

The Ministry of Public Works and Housing is the official body in charge of housing construction and regulations. Generally, it focuses on large-scale public works programmes underway in Jordan and delegates many of its policy functions to the Housing and Urban Development Corporation (HUDC). HUDC, created in April 1992 following the adoption of the National Housing Strategy in 1989, is the public agency in charge of the housing sector and its two main functions are as follows:

- To develop comprehensive housing policies (normative function),
- To implement projects (it has implemented 185 projects to house over 44,000 households throughout the kingdom), including through Public-Private-Partnerships (PPP).

HUDC is in principle financially autonomous but is not authorized to sell prior to construction.

A World Bank-led reform of 1996 introduced new and important thinking regarding the housing delivery system in Jordan. Some ideas have been implemented (secondary mortgage facility based on the American and Malaysian models), others have been partly applied, some remained on the shelves. One fundamental aspect of the reform was to reduce public sector activities to "policy, planning, research and upgrading works". Other aspects were to reduce regulatory barriers to encourage the private sector's involvement in land and housing development, and to reform subsidy mechanisms to better target disadvantaged groups. Progress on these issues has been mixed.

The Ministry of Municipal Affairs (MOMA) has an Urban Planning Department that designs and approves land-use plans for all municipalities with the exception of the largest ones (such as Amman, PDTRA, ASEZA, and Development Zones). Zoning regulations are strict and rigid, with nine standard plot sizes (150, 170, 250, 500, 750 and 1000, 2000 and 4000 m²), and are usually respected. Informal settlements are small and slums are almost non-existent. MOMA is also in charge of collecting annual property taxes. A main problem is the lack of taxation of undeveloped or un-built urban land, resulting in land speculation and shortages. This issue should deserve careful attention because land management constitutes a fundamental component of any affordable housing strategy.

The Ministry of Finance will play a role in JAH as we seek to reduce / maintain the affordable housing cost in the range of 15,000 JD. The Ministry of Finance can offer relief on certain mortgage and registration taxes under this programme.

Central Bank has a role to play as well. In discussions with the Banking Supervision department of the Central Bank of Jordan, the JAH programme team has confirmed that the Bank considers the banks to have more than sufficient capacity to meet the capital outlay (JD 360million) required for the entire programme on the basis of a core deposit test. And, having overseen and administered the swap on the Overseas Private Investment Corporation (OPIC facility) under the "Sekan Karim", and provided exceptional risk based capital relief (at 200%) for the decent houses for decent living initiative, the Bank has some perspective on the challenges associated with delivering subsidised affordable housing programmes commercially. The Bank was supportive of the JAH at market (non-subsidised) approach. Usual risk based capital treatment for mortgage assets is 50%. It is possible, though unlikely, that at some stage the banks would seek a financial inducement to participate in the programme. The risk based capital relief approach (moving the treatment for mortgage asset to, say 75% or 100%) may

provide a straightforward and previously implemented mechanism to providing incremental benefit to the banks.

For example, sales tax and registration fees are collected by the Department of Lands and Survey (DLS) of the Ministry of Finance. The sale tax represents 5 % of the value, registration fees amount to 4 %, but there are exceptions to the rule (for instance for apartments below 150 m²). DLS gets more than JD 200 million per year from these transactions, which go to the national budget. This source of funds could justify in return a budgetary support to the housing and real estate sector; waiving these fees (as an indirect subsidy) may help stimulate the construction sector and therefore supply of affordable housing.

Government Champion

The engagement of the government could be considerably enhanced if there was a “Government Champion” to help facilitate communications between all areas of Government and the JAH project, clarifying and resolving issues and enhancing the understanding amongst Government of the aims, objectives and operations of JAH. The Champion – who could be a (or more than one) serving or retired high-ranking Government official with experience and involvement with housing, or a respected personality well-known to Government with a wide network of connections to Government – would act both as a channel of communications but be able to “translate and transmit” concerns and queries that the Government may have to the JAH programme and vice versa. The ability to speak the language and be familiar with the wider ongoing objectives and activities of Government departments allows these to be better addressed and incorporated into the JAH programme.

Having a Champion also provides a level of comfort for Government that the JAH programme has better understood and responds to the nuances that the Government has to work with. At the same time, the Champion can better explain what the JAH programme needs from Government and why and in what forms it needs to be delivered for the JAH programme to meet the needs of Government.

JAH Advisory Committee

The Jordan Affordable Housing Programme has established an Advisory Committee to the Minister of Public Works and Housing. It is chaired by the Minister for Public Works and Housing. This committee is designed to provide strategic guidance and a sounding board for the Jordan Affordable Housing Programme to ensure that it remains true to its mission and to meeting the requirements of donors funding the programme development.

The Advisory Board will meet quarterly in Amman with UN-Habitat and programme sponsors to review findings and provide advice to the programme as required. Its first meeting was held on 29 December 2014 and during that meeting the Advisory Committee provided inputs to the Demand Survey implementation and design. The second meeting was scheduled for 25 February 2015 but was postponed due to an emergency budget meeting in Cabinet; it will be held in April. At that meeting, the JAH programme team will discuss results of the Demand Survey and other analysis and get agreement and understanding on the way forward. The JAH team has also had discussions with the Advisory Committees’ members, as well as a meeting with HUDC and the Minister of Public Works and Housing, and it is hoped to get stronger government alignment and support over the coming months.

Members of the Advisory Committee are as follows:

1. H.E. Minister of Public Works and Housing
2. H.E.Eng. Shehadeh Abu Hodaib – Senator
3. General Director - Housing and Urban Development Corporation
4. H.E. Secretary General of Ministry of Planning and International Cooperation
5. H.E. Secretary General of the Ministry of Municipal Affairs

6. General Director - Department of Land & Survey
7. Director of Local Development Directorate / Ministry of the Interior
8. Excellency Senator Abed Mune'em Oudat
9. Excellency Senator Habis Shabeeb
10. Mayor of Dhilail municipality
11. Mayor of Ramtha municipality
12. President of Jordan Housing Developers Association
13. President of Jordan Engineers Association
14. President of Jordanian Constructions Contractors Association
15. Eng. Hakam Beitar/Engineering office
16. Central Bank of Jordan Representative
17. General Director - Jordanian Banks Association
18. Swiss Agency for Development and Cooperation
19. UN-HABITAT
20. Director of Housing Policy directorate

Development / Humanitarian

Current situation with refugees

As the Syrian crisis enters its fifth year, figures suggest that in 2014 the Syrian population in Jordan has, after 3 years of increases, begun to stabilize. That is not to say that the situation has improved; the refugee situation as a result of the crisis in Syria is described by the High Commissioner as the “worst in modern history”²⁹. UNHCR is very concerned about a deteriorating situation

The Government of Jordan estimates there are 1.4 million Syrians in Jordan, of which 650,000 have entered in the past 4 years and 750,000 were living in Jordan before the crisis. UNHCR hosts approximately 103,000 in its camps and has 622,000 registered refugees – showing that about 15% of Syrians that arrived as a result of the crisis are in camps and 85% are living in urban areas throughout Jordan.

Our own extrapolation suggests that some 840,000 Syrians are living in the surveyed area (East Amman, Jerash, Balqa, Zarqa, Karak, Madaba, Mafraq and Irbid).³⁰ Using this as a total, our responses suggest that there are some 736,000 refugees registered with UNHCR, which is higher than the total figure of 622,000. We think this may be due to the fact that some refugees are registered with other agencies or organizations, including government, and may have responded as such.

The JAH programme team had very informative discussions with a number of actors and are starting to put together a picture of refugee shelter issues and needs; the Demand Survey results have been useful in further understanding the situation facing refugees in terms of housing. During meetings with UNHCR, and based on the results of their work in compiling “Living in the Shadows” Report in 2014, a clear increase in household expenses can be seen. Syrian households are living together to make ends meet, often with members of their extended families, but also, by necessity, with other non-family Syrians.

An important development is the registration process now underway with the Ministry of Interior that will combine all refugee identification into a single “Services” card (“MOI” card) linked with iris scan technology to reduce fraud and create efficient identification. UNHCR expects this process to take one year to complete and began on 15 February. As of 24 Feb, 539 people had registered with the

²⁹ UNHCR “Living in the Shadows” Report, 2014.

³⁰ This figure was extrapolated by grossing up the 4.74 million Jordanian population by the percentage of Syrian respondents using formula of population divided by 1-14.3%.

government. There is a 30 JD per person fee to register, with no household discount, which is prohibitive.

With an MOI card, refugees will have access to basic education (although not health care services, as was previously hoped) and they are being registered in their current local area via the local police station. In order to register outside the camps, refugees will need a signed lease from their landlord, but this lease does not have to be stamped by the local authorities, meaning, it should be an easier document to obtain.

The overall implications of this new registration process are not yet known as it is in very early stages, but it will likely provide very interesting information on locations, rental prices, formal housing and other shelter issues for refugees. They may also create further shelter problems for refugees if landlords are unwilling to formalize the lease for fear of that leading to being taxed on the rental income, for example, and that will need to be considered as the process unfolds in 2015.

Other discussions with NGO actors suggest that most humanitarian agencies are moving away from any conditional cash transfers, such as for rent or shelter, and opting instead for unconditional cash support. There is now a greater acceptance of the fact that refugees themselves know best their own needs and priorities and therefore what they need each month. ECHO estimated that between all the NGO and UN actors in Jordan, about 40,000 refugee families outside the camps were receiving cash each month. The Demand Survey indicates that over half of all refugees that are registered received cash or in-kind assistance, but only a small percentage of that is housing specific, and only in East Amman, Irbid and Mafraq, where certain aid programmes on shelter are operational. At the same time, aid agencies are facing budget pressures. For example, the World Food Programme was providing food vouchers for 100% of food costs; that funding has reduced to ~85% and this reduction resulted in 3,000 families returning to refugee camps in 2014, but the trend is generally towards exiting camps to find more “normal” living situations in the cities of Jordan.

In early discussions with MOPIC, the JAH programme team was informed that refugees are allowed to work in Jordan if their employer buys them a work permit. The cost of an annual work permit ranges from about 150 JD in the agricultural sector to 700 JD in the hospitality industry. Refugees, if found working without a permit, are in theory not supposed to be deported – instead the employer should be fined (according to MOPIC). In practice, very few employers pay for these permits, and the overwhelming practice is that Syrians are working informally, at lower wages, and perhaps even sleeping at their place of employment. It also appears that Syrians are in fact being deported if found doing anything illegal, and working without a permit is risky. This surge in the workforce, willing to take lower-than-normal wages, is creating further unemployment and poverty for lower income Jordanians.

As mentioned earlier, most Syrians did not see themselves as “unemployed”, with only 15% indicating they fit into this category. So there is a reality – Syrians work to support themselves – that is often at odds with the legal framework.

There is a large range of UN and NGOs operating in Jordan that have significant knowledge and information on the refugee population. Meetings with UNHCR, Norwegian Refugee Council, ECHO, Première Urgence, Habitat for Humanity International, Global Communities / Jordan Local Guarantee Facility / Vitas and ACTED were held. With all development and humanitarian partners, the JAH programme team have shared the programme objectives and all actors felt there was a great need for affordable rental housing in Jordan, particularly in the northern governorates. There is a concern that refugee resources are dwindling, and there is a trend away from conditional cash transfer programmes for rental purposes. So there is a strong opportunity for potential partnership overlaps going forward.

Significant further study and discussion will be needed with all of the development / UN / NGO actors in the coming months, and in particular once we have a stronger sense of the new rental housing volumes,

location and timing (in other words, as supply starts to become available). In anticipation of that, UN-Habitat will need to design a very supportive JAH entity that can guide and support how refugees will be a part of the JAH programme and how their rental accommodation can and should be supported.

Refugee Survey and partnership with UNHCR

The meetings with UNHCR in Geneva and in Jordan in February have been very positive and we feel the programme has a good working relationship with UNHCR, and potential for much more detailed work going forward. UNHCR is facing some budget constraints (due in part to exchange rates fluctuations in the Swiss franc) so there is no indication of financial support at present, although there may be some opportunity through the Innovations Fund in Geneva to support a refugee protection and shelter consultancy when the timing is right.

During discussions with the UNHCR Jordan team, we jointly felt that the JAH programme team should continue to share data and information for the coming months, and to meet again during the Consultants' next mission. At that time, we would see planning and taking part in some focus group discussions with refugees, to get a sense of their own shelter needs and concerns as the programme takes shape. These focus groups could be held after Ramadan (from August onwards); as the model housing comes on line, getting refugee inputs as to suitability will be important. At the same time, UN-Habitat can work with the UNHCR team on different options for supporting refugee shelter, including how to incentivize landlords to rent and how to best design and support the rental scheme as a part of the JAH entity. This work has been programmed into the JAH work plan going forward.

How do we encourage Rental to Refugees?

There is good reason to believe that a certain portion of housing units purchased under this programme will be made available for rental. This is a reasonable assumption on the basis that some 27% of Jordanians are already renting housing – around 230,000 households. Therefore, there will be households that wish to invest and make use of the house at a later time, as is already the case. At the same time, 1.4 million Syrians are believed to be living in Jordan, with only 100,000 in camps. This means that decent rental housing is needed for potentially a further 200,000 households, or more; there will be Jordanian buyers that wish to take advantage of the fact that there is strong rental demand to help pay for the mortgage on their investment unit.

Additionally, we anticipate that the smaller size of the units will make them more attractive as a rental option, because of the normal expectation of larger size homes (120 m² and above) that is more traditional in the Jordanian context. Buying one (or two) unit(s) and renting them until the mortgage is repaid ten years' time will mean that the houses can be combined or expanded later, when the household wishes to occupy the housing unit(s) themselves. There is more acceptance from Syrians households that a smaller house is acceptable, and Syrians comprise a large percentage of the rental housing market.

The simple fact that additional and affordable housing units will come onto the market means that the upward pressure on rental prices will subside. As in any market situation, where supply begins to match demand, tenants will have more options for better quality housing at better prices. Where aid agencies are providing cash assistance for rent, the increased supply will mean that same amount of money will be able to “shop around” for decent and affordable housing.

And while all of this will occur as a “supply and demand” outcome, there are other important ways that this programme can help target the Syrian refugee population in Jordan and provide support for safe and secure shelter for this vulnerable group.

There are various options that can be applied to help support refugees in accessing new rental accommodation under the JAH programme. We put forward three of these below; any or all may be applied in combination.

The JAH entity can act as a supporting entity between interested landlords and potential tenants. The JAH entity concept is discussed below; UN-Habitat envisions that the entity will manage information such that renters are well-matched with landlords, and both parties have a channel through which they can make complaints, deal with disputes and seek advice. In exchange for the support of the JAH entity, and to be a part of the programme, landlords would be obliged to charge rents that do not exceed mortgage repayment amounts, for example.

For the entity to undertake this or a similar role it must of course be properly staffed and funded; we anticipate this may be \$3 - \$5 million, depending on the business model going forward, and what the market can be made to bear. The exact purpose, location and form of the entity will be discussed and determined in the coming months.

Aid agencies and donors can pay some or all rent for selected households. This could be managed by the entity, channelled through tenants, or paid direct to landlords. It could be a part of the current cash assistance programme in some way or it could be a distinct operation. The main issue would be to ensure that any grant or donor aid does not create “moral hazard” or confusion with rental or mortgage payments operating under market principles (in other words, even if some rent is paid by an aid agency, the remainder, agreed with the landlord, would still need to be paid by the tenant).

Buyers can be incentivized to rent the units to refugees through the provision of a “one time” payment, available at the end of a longer period of time. We would propose a long-term incentive, such as: donors may provide a certain sum of money (perhaps a year’s mortgage payment, or 1,800 JD;) that is held in an escrow account until such time as, for example, the landlord has rented his unit to a Syrian household for 3 out of 4 years (or as long as donors deem necessary, whichever is applicable and depending on the situation in Syria and whether and when Syrians begin to return home). Once the landlord has fulfilled the obligation of fixed rent over a period of time, the “one-time payment” being held in escrow can be applied to his or her unit financing directly. This would cause the mortgage (or financing) to re-amortize and reset at a lower monthly amount. If this payment is enabled as Syrian refugees are leaving, and rental pressure is easing, it may be a very good solution for families that rely on the rental income to cover at least a portion of the mortgage payment (if rents go down, landlords can continue to rent, but at a lower rate, in line with market movement).

The JAH entity

What the JAH entity might do to ensure delivery of the programme

In order for the Affordable Housing Programme to deliver housing units of appropriate build quality to the potential buyers at the prescribed price of JD 15,000, and in order to coordinate and support the provision of rental housing for a portion of these housing units, it is expected that a new entity will need to be created to manage and oversee the interaction and coordination of the multiple participants involved in this programme. This management and oversight function will play an important role in the successful delivery of this programme, ensure the programme operates as designed following construction completion, and provide opportunity to expand or repeat the programme, assuming sufficient ongoing demand.

The new entity, a designated organisation, referred to as the Jordan Affordable Housing vehicle (JAH) will be created to manage the programme. It will be established at the finalisation of the programme agreements for Phase 2. Staffing for the JAH entity will only take place once the programme is agreed and documented, and the requisite business plan for JAH has been developed, accepted and required working capital funding has been arranged.

Initially, JAH will act as the programme advocate providing support to and facilitating the process of managing land availability, bringing serviced housing units to market at the agreed price, helping buyers to complete any programme qualification process and if the buyers are choosing to rent one (or both) property(ies), identifying and installing qualifying tenants, by acting as the intermediary between owners and tenants of housing, as well as the developers, constructors and the banks.

JAH may liaise with municipalities and other government institutions to identify and secure available land and approve prospective development projects, ensuring delivery of units on contracted terms and assist in obtaining the necessary permits and permissions. Its main on-going role, however, will be to provide transparent governance and ensure legal (including contractual quality control), regulatory and documentary compliance for the programme, to act as an “introduction agency” for new owners or tenants and to arbitrate as impartial conciliator in cases of contract dispute, and to be a data collector for performance history.

As mentioned above, JAH will coordinate between the i) owners, some of which may also be landlords, ii) tenants, iii) municipalities, local and central government, the iv) developers, construction companies, v) the banks, vi) participating agencies and donors. There are multiple considerations to address for each of these classes of programme participant. The following is not an exhaustive list, however it is intended to capture the majority of the actions the JAH entity will be responsible for managing and overseeing.

1. Middle market families purchasing these properties:
 - For most Jordanians, the primary attraction will be to build or acquire a house – whether for immediate use of the family, or initially as an investment, and then later use of (a) family member(s). For most Jordanians, there are no other similar opportunities at present.
 - Programme participants will be those that either have building land or are legally entitled to purchase/acquire land (most Syrian refugees do not fall into this category at present).
 - Families interested to expand their existing accommodation or move to ownership from rental accommodation by purchasing a smaller basic 60-65 m² property which at a later stage may be expanded or combined with a similar contiguous unit to create a “standard size” house.
 - The proposed land must either be approved by JAH, in the case of existing owned land or be one of the sites identified with municipalities and government as being suitable.

- Jordanian participants may come from any income bracket and may provide up to, but not more than two houses within any one development project, in order to restrict widespread investment by property speculators.
- Individual households that are willing to construct and/or purchase a smaller property from the programme and qualify for an affordable housing bank loan may apply to the programme.

2. Owners as landlords:

- If the owner decides to rent the property s/he will be responsible for the management of the property including collection of rent, and will have the benefit of being able to apply the rental income to debt service.
- Owners will understand that they will have no assurance of tenancy throughout the term of their financing, so will be expected to have supplemental means to meet the monthly financing payments if the tenant leaves. Additionally, the JAH entity can help identify new tenants.
- If required, as a means to incentivise prospective owners to become landlords for a period of time (period TBD with the agencies) it is proposed that the owners will receive a cash payment of [JD 1,000-2000]. The payment will be held by the bank financing the property and will be applied to reduce the amount owed by the purchaser once his obligations to the renter(s) have been fully and appropriately completed (those being to rent for an agreed period of time at a rental level equal to or less than the financing repayment).
- Generally, the individual owner-landlords will be responsible for complying with the rental agreement, monitoring their tenants and for collecting the rent, and for meeting their financing obligations. The lending bank will have the comfort of the lien on the new (and potentially an existing) property(ies). This management role will be somewhat labour intensive, but the owner-landlord will be incentivised by the opportunity for asset growth, particularly with the cash payment and the desire to protect their own down payment contribution. It is expected this intensive management role will deter larger scale investors.
- Unless a landlord has undertaken to rent a unit to a particular household for a given period of time (in exchange for a fee or payment, or entered into a term rental agreement, for example), owners would be under no obligation to keep a particular tenant or even any tenant at all. Consistent with market practice [a month's] notice must be given to the tenant, and any security deposit taken must be returned.
- Aligned with existing customary practice, an owner-landlord may ask the tenant for a deposit, [of not more than one month's rent] against wilful damage or non-payment of rent.

3. Tenants

- The initial house is of a minimal size (60-65 m²) and with low standard finishes but at an affordable rent (equal to the owners' monthly financing instalment of c. JD 150), therefore is likely to appeal to those who have no house of their own and are currently sharing renting space or seeking to rent.
- Many Jordanian households are finding themselves in this position because of rising rents prompted by a shortage of available rental housing.
- Many Syrian households are also likely to be keen to become tenants both because of the affordable rents and because of the reduced likelihood of being arbitrarily evicted or have their rents increased.
- Many tenants are likely to want to become buyers, using the rent that they would otherwise be paying as the loan repayment. Assuming as renters paying JD 150 per month have verifiable incomes, the determining factors on how many existing renters would be able to purchase under this programme is whether they are entitled to own land in Jordan and whether they have (or can find) the 20% down-payment required.

- Many households, especially women-headed and disadvantaged households, including refugees, may find that they are entitled to rent-support for some or all of their rent for a period of time.
- Unless they have signed an undertaking or agreement stating otherwise, a tenant may leave the house after giving written notice as per existing market practice. Without such notice, the tenant will forfeit their deposit.

4. Municipalities, local and central government

- Land administration is critical to the success of this project and JAH will work with HUDC, municipalities and government to identify reasonably priced land parcels that can be appropriately subdivided and cost effectively serviced.
- It is hoped that there may be some appropriate parcels of land which can be given to the programme for “free”, as the seed capital for a land bank. Once auctioned by JAH to developers/contractors, the proceeds can be used to buy up future pieces for development under the programme.
- The Government, municipalities or other organisations and entities may make land available for Affordable Housing. They will receive the going rate potentially up to 20% of the build cost of the affordable housing unit, unless the tract is sold to a developer for mixed use development, in which case a price will be negotiated with the developer and JAH.
- In certain cases, JAH may also work with the municipalities and central government to alter zoning to reclassify land for use under the programme.
- Jordanians may use a plot of building land they already own, including one on which their own or another house has been built. They may also use the roof of their present structure. Any such land and structure will have to be approved as eligible for the programme by the JAH and municipal authorities/MoMA.
- Ideally, all lands will be located within municipal limits and preferably contiguous to existing infrastructure and services. In all cases, planning and other permissions necessary must be secured as part of the approval process.
- As an independent impartial administrator JAH will be well positioned to manage the land sales ensuring fair and reasonable land prices are achieved for programme homes.
- Administration of the title deeds to any land provided by municipalities or government will be directly managed by the appropriate entity, with support from JAH if needed, who will subdivide and register the plots appropriately. It is expected each unit with title will be held as collateral by the bank until such time as the loan has been paid off.
- JAH will seek elimination of bank mortgage tax and registration tax (DLS) from MoF for houses qualified under the programme.

5. Developers and construction companies

- The units will be expected to meet minimum standards [as determined by the output from the JEA design competition], and JAH will be responsible for overseeing the quality of construction.
- JAH will contract with developers to deliver the housing units at the agreed cost and level of finish. Larger mixed use developments may be cross subsidised, however the developer will be contractually obliged to deliver the agreed number of affordable units with acceptable levels of finish.
- The houses may be built by contractors directly managed by the owner.
- A contractor may undertake to build one or a group of houses on an approved parcel of land for on sale to JAH approved owners who can qualify for a programme bank loan.
- All construction will be subject to existing regulations and legislation regarding the design and construction of houses, except where and when special exemption may have been given for Affordable Housing.

- JAH may provide technical support for [developers and] contractors in seeking construction finance from local banks.
- The nominal size of the affordable house will be 60-65 m²
- The house will conform to all the existing regulations and legislation regarding the design and construction of houses, except where and when special exemption may have been given for Affordable Housing.
- The house will be so designed as to be able to be expanded and/or converted into a unit of 120-130 m², including by the combination of two side-by-side or above-the-other original units, corresponding to the approved designs.

6. The Banks

- Both a Commercial Bank and an Islamic Bank financing product will be available.
- Either financing approach will offer repayment in equal monthly instalments, with full repayment in 10 years; the repayment amount should be [not more than] JD 150 per month.
- There will be a down-payment of up to 20% of the purchase price. Land may also be taken in down payment.
- The title deeds of the land will be held as collateral until the loan has been paid off.
- In the case of defaults, the bank will have the authority to dispose of the house and recoup all costs from the sale proceeds. The remaining balance, if any, will be paid to the owner.
- Donor funding offered to incentivise those landlords housing refugee families or vulnerable Jordanians can be coordinated with banks if appropriate.

7. Participating Agencies and donors:

- Agencies supporting and monitoring refugee's well-being will provide information to JAH for the purpose of identifying potential tenants.
- Donors will coordinate the delivery of financial incentives for owners to rent, to the appropriate bank lenders through JAH. Donors and JAH will conduct joint oversight to ensure appropriate landlord tenant behaviour (reciprocal).
- Data will be developed on the number of refugees housed and the period of their tenancies.
- JAH will act as an impartial ombudsman for landlord tenant disputes.
- JAH will have the ability to request an installing agency to replace and rehouse a non-cooperative refugee family renting under the programme.
- There will be other roles for agencies to play here, depending on the situation (to be determined).

JAH Responsibilities in the Management Process:

- The JAH vehicle once established will develop and publish agreed rules and procedures.
- The scheme will be widely advertised and explanatory meetings held for both owners and tenants.
- On-going borrower education will be provided as required.
- JAH will work with HUDC, government and municipalities, and private owners to identify suitable land and building sites at reasonable prices.
- JAH will manage the procurement of land for JAH "land bank", if applicable, in coordination with the related municipalities / government agencies.
- Applications will be invited from prospective owners [having obtained pre approval from a bank] including their location preferences if any.
- Applications will be invited from prospective owner/landlords [having obtained pre approval from a bank].

- Applications will be invited from interested developers and construction companies; applications will be validated.
- Approved applicants will be selected and notified.
- The JAH entity will work with the banks to agree qualification parameters for owner-landlords for the programme.
- Construction of the Affordable Units will take place and the houses sold to qualifying owners and landlords. JAH will retain an oversight role, ensuring participants' transparency at all times.
- Landlords will seek tenants and agree terms and tenants will move in accordingly; special agreements will be signed in the case of Syrian tenants or vulnerable Jordanian families supported by financial incentives from agencies.
- JAH will coordinate delivery of cash payments to owner-landlords' banks and oversee the landlords contractual performance.
- JAH will authorize release of the deposit to pay down owners financing.
- The process will be regularly monitored by JAH in conjunction with aid agencies. Those families falling under the special agreements will remain under the purview of the supporting agencies.
- Dispute resolution mechanisms will be put in place. The ultimate recourse for non-payment will be the relocation of the tenants to another housing arrangement.
- The detailed performance data for the units in the programme will be publically reported. As necessary, after three years the programme can be modified based on outcomes and replicated, assuming it has been well received and further low income housing stock is required.

Conclusions and the Way Forward

We move now from the Analysis stage into the Implementation stage – and the critical work begins. From the start of the programme in November 2014, a large part of the work has been focused on not only “what exists” but “what is possible” in terms of affordable housing. This has meant changing perceptions and raising awareness around what can be done: working with banks on their perception of what they can provide to low-income clients (i.e., mortgage loans), working with developers on market potential, working with government on planning and opportunities, talking with the range of NGO and humanitarian shelter actors in order to bring our collective efforts together.

In short: explaining what needs to be done, and working together to find new ways to succeed and to ensure that affordable housing demand and supply is well-aligned and meets market needs.

The coming months will be very important as we move into implementing and structuring the programme and getting more serious (and confirmed) commitment from partners as to their roles and responsibilities going forward. This will necessitate continued efforts to alter deep rooted misconceptions about affordable housing in Jordan.

There will be obstacles: getting a sufficient number of developers or contractors focused on this lower income (and therefore, lower profit) space; supporting municipalities in large-scale urban planning and land management approaches; ensuring strong and persistent government support for an affordable housing programme, when the memory of “Decent Houses for Decent Living” is still fresh. And changing perceptions (many years of government policy as well as little experience with innovation) at the government level (national and municipal) will be a challenge.

We also have advantages: strong demand for housing (both to buy and to rent), depth and interest from the banking sector, small and medium size developer growth opportunities and municipal interest in a programme that will help address local housing shortages.

Timing is also an advantage: the economy is no longer as buoyant in Jordan, and growth opportunities are flattening. Banks are keen to find new markets, and we believe the same applies to the developer, and construction sectors, especially the smaller players. Municipalities are lacking revenue, with a reduction of funding from Central Government, and so are challenged to meet the infrastructure needs of their residents – a problem exacerbated by the influx of refugees. Central government simply does not have the resources to deliver subsidized affordable housing in any sustainable or scaled way. Aid agencies are struggling with how to optimize their limited resources to best support the shelter needs of refugees and vulnerable families.

This means a private sector solution like JAH, well aligned with public sector partners and objectives, provides a practical and optimal solution.

After the delivery of this Final Analysis Report (stage 1), our efforts going forward will focus on the remaining Expected Accomplishments of the Programme (indicated below) as well as continuing on-going discussions with Government and with donors in order to seek funds to fill the Phase 1 funding gap and to secure funds for Phase 2, and to coordinate very closely with those partners (UNHCR and others) who are working with refugees and for whom we will design the rental aspects of the JAH programme.

Our work going forward will seek to accomplish the following:

Expected Accomplishment 2: Framework, rules, procedures and capacity to implement affordable housing programme developed and agreed. Outputs and related activities include:

2.1 Policies developed, rules formulated and procedures outlined for affordable housing programme.

- 2.1.1 Create programme guidelines/rules – including defining a qualified owner/ renter, approved designs, mixed use development guidelines, minimum levels of infrastructure support, etc.
- 2.1.2 Develop process for renter placement and tracking and database establishment.
- 2.1.3 Develop guidelines on setting and maintaining rental rates tied to mortgage repayment levels and protecting tenants from unjustified eviction.
- 2.1.4 Develop remedies for, and process of enforcement of remedies against, non-compliant participants.
- 2.1.5 Produce a framework for detailed legal agreements.

2.2 Financial Structure of the Jordan Affordable Housing Programme and the Loan Product Developed

- 2.2.1 Design standard programme term loan/mortgage products in outline with local banks' input: size, interest rate, tenor, loan-to-value, debt-to-income, down payment, client profile for access to credit, etc.
- 2.2.2 Hold bilateral meetings as required with a range of financial institutions to obtain undertakings in principle to participate.
- 2.2.3 Identify potential areas of risk capacity shortfall and obtain commitments in principle on delivery of risk mitigants from government, donor, IFI resources.
- 2.2.4 Discuss Central Bank's participation in potential subsidy and interest rate management, if any.

2.3. Systems and capacity of key stakeholders (borrowers, municipalities, banks, Government) strengthened.

- 2.3.1 Provide preliminary capacity building and technical support where required to municipalities to ensure they start to deliver plan land development.
- 2.3.2 Provide preliminary capacity building and technical support where required to ensure local banks start to develop needed support to create and deliver loan products.

- 2.3.3 Support the development of borrower education programmes.
- 2.3.4 Agree MIS data reporting and delivery process with participating banks to ensure availability transparent programme data at all times.

Expected Accomplishment 3. Vulnerable refugees and Jordanian families have increased access to affordable housing. Outputs and related activities include:

3.1 Develop and market test up to 20 model houses to demonstrate the feasibility of the cost, space and expandability of the designs

- 3.1.1 Identify potential construction partner(s) and sponsor and hold a national design competition.
- 3.1.2 Develop approved unit designs for: (i) Stand-alone units; (ii) Row Houses; (iii) Low rise apartments; and (iv) Develop options for potential mixed-used developments.
- 3.1.3 Create detailed unit build specifications and bills of quantities (BoQs), cost approved designs.
- 3.1.4 Contracting firm(s) to build select units in strategic locations and inviting people to examine and provide feedback on the model houses.
- 3.1.5 Hand-over of houses to vulnerable households, based on terms to be agreed during the design phase.
- 3.1.6 Obtain builder/developer commitments to deliver units at larger scale.

3.2 Business plan and institutional structure for affordable housing programme developed

- 3.2.1 Mid-term evaluation of programme and validation of findings.
- 3.2.2 Project document developed to support the implementation of Phase II.
- 3.2.3 Final evaluation of programme and validation of findings.

Please note that the activities and outputs above will be expanded in more detail as we determine what will be required to accomplish each one. Some of these outputs will take extensive work and negotiation and others will require partner inputs; we will be able to qualify and quantify the work required as we move forward on implementation.

The above outputs have funding already; further funding will be needed to deliver on the key outputs below:

- Preparation and execution of a donor / fundraising strategy.
- Work with UNHCR on refugee rental aspects of the JAH programme (working with their consultant on the refugee protection and shelter aspects to feed into JAH entity and programme design); this will include future fundraising going forward.
- Efforts needed at municipal level – do they have the capacity to guide and support housing delivery and at what scale? Workshops and capacity building sessions on land management and programmatic inputs.
- Government champion, HUDC land and services allocation / contribution and how that will work; MPWH involvement and ownership.
- Public awareness raising campaigns developed and implemented (how to “advertise” the housing units and how they will work).
- Borrower education and awareness campaigns and training.
- Legal negotiation and structuring of the project / deal – funds needed for lawyers, consultant time, etc.
- Land and supply issues.
- Coordination and partnerships with developers.
- “Learning by doing” through active project execution in a number of selected sites.
- Outlining the business plan and institutional structure for a large scale programme.

Annexes

Annex 1: 8 Myths about Housing in Jordan

MYTH	CONCLUSION FROM ANALYSIS	NEW UNDERSTANDING
No one wants to live in a house smaller than 120 sqm	Close to 500,000 households would be satisfied and willing to live in a smaller house if the price was right, and if there was option to expand the house; over 400,000 households already live in a house of 120 sqm or less outside Central Amman.	There is both the willingness to buy a smaller-sized affordable house and the ability to pay for it, in the lower-middle income target market. This programme will have the option to expand the house over time.
Low-income households (JOD 300-500/month) are not bankable	Both Islamic and commercial banks in Jordan can offer housing finance to this target group. 80% of Jordanians outside Central Amman are already "banked".	The financial sector in Jordan has ample capacity and strong interest to provide the needed financing for housing over 10 – 25 years.
Jordanians, especially low-income, will only borrow on Islamic principles	Half of Jordanians have no preference; those that do tend to prefer Islamic finance, although the majority of those with financing have obtained it through a commercial bank.	Jordanians have a slight preference overall for Islamic banking in theory; they use more commercial banks in practice. This programme will offer comparable Islamic and commercial financing to allow for choice.
Low-income households cannot afford housing loans without (interest rate) subsidies	85% of Jordanian households make more than 300 JD per month, making them able to afford monthly repayments on 12,000 JD financing	With a housing unit price of 15,000 JD, including land, low income households can afford financing for this smaller-sized house (which can be expanded in future) at market rates and without subsidy.
Land is too expensive – so Government must provide free land for low-income housing	Suitable land is available to buy at 3,000 JD or less per unit from private landowners (outside Central Amman),	Land can be purchased or freed for development through land readjustment and rezoning; there are many parcels of land idle or underutilized.
Jordanians do not want to rent their housing to foreigners or non-family members	40% of Jordanians would rent to a Syrian refugee on their property but outside their house; 50% would rent to a Jordanian not related to them	There is interest in rental as an investment opportunity or as assistance in paying a mortgage.
Government-led subsidised housing schemes have not succeeded, so private sector schemes using market based mechanisms can never work	It is possible to build a house of 60 – 65 sqm at a price of 12,000 JD; land is available for 3,000 per unit or less; banks will lend to low-middle income Jordanians; there is developer interest to move into lower-income housing if there is strong demand (and the home financing that go with it).	The combination of demand, financing and unit cost means that this programme can and should succeed through a private sector scheme such as JAH.
Refugees cannot afford to pay rent	Average rent paid by Syrians is 144 JD per month and only 15% of Syrians consider their household to be "unemployed".	Refugees are living and working informally in urban areas and are seeking improved access to better rental housing.

Annex 2: Municipal Mapping and Survey Exercise Findings

The summary of Land conditions in surveyed Municipalities is based on the information collected through interviews and field visits with the Mayors and Municipal teams, work is still in progress and the missing information is being verified in the next phases with municipal teams and MOMA

SUMMARY OF LAND CONDITIONS IN SURVEYED MUNICIPALITIES				
LAND	DLEIL	MADABA	RAMTHA	SARHAN
Land Price:				
<p>What are the typical selling prices of land in the Municipality? Draw a map showing land prices How have prices changed over the last few years?</p>	<p>Prices range between 8,000/d in Southeast to 20,000/d in City Centre Prices double DLS estimates Prices almost 10 times higher since 1990s</p>	<p>Prices range between 20-50,000 East of the King's Highway to 40-120,000 to the West. Since 2003, prices have gone up 6 to 7 fold, while in some parts to the West they have doubled since 2012</p>	<p>Price ranges between 8,000/d in the East to 100,000/d in the city centre. Prices have more than doubled since the 1990s. For example, the Jurf area used to be 4000/d and is 14-25,000/d</p>	<p>Sarhan Municipality is made up of a number of smaller scattered settlements, therefore prices vary across the Municipality, from as low as 2,000 to above 20,000/d along the main roads</p>
Land Availability:				
<p>What lands are "on the market"? Indicate on map What are the typical sizes of these parcels? Who is selling them? Individuals? Long-time owners? Agents? Why are they being sold? Price is right/Need funds? Would people be willing to live in these locations?</p>	<p>Even in the centre there is vacant land, but there is a preference for cheaper land even if without infrastructure. Tribal affinities also restrict peoples' preferences. Mostly individuals as land lords tend to keep the land to increase its value and won't sell unless they get exceptional offers. The smallest zoning category is Res C where the highest demand is. People tend to sell land with the exception of land lords as mentioned above. ..</p>	<p>Even though the land on the Eastern side is cheaper, the demand by developers from Amman building apartments in the Western side has pushed prices up. Being agricultural land, large parcels have also been bought up as "farm houses". Large tracts of relatively cheap land remains undeveloped, for example in Al Samkeh because of the demand for land in the West</p>	<p>Land adjacent to the existing centre is available almost development is going towards Al Shiyah where prices range between 8 to 23,000/d, yet there is new Development heading towards the south along the main road... Land on the market especially in the Northern part of the city depends on tribal trends, as there are some tribes who rarely sell land even for financial need, and other tribes sell for the right price. Sale of land is usually done by individuals. Land is being sold for funds, but also they started investment in building apartments and renting or selling (mostly rent) and people tend to lend from banks rather than sell for funding the investment. The smallest zoning category is Res D</p>	<p>There is abundant land in locations such as Mghayer, but less available in Sama and Jaber Selling is done by individuals and they tend to sell for funds purposes or for the right price offered. The smallest zoning category is Res D and it is in raba'</p>

Land Condition:				
<p>Are these lands near/far from built-up areas?</p> <p>Are they near on-going/recent construction?</p> <p>What infrastructure do they have?</p> <p>What is the topography of these lands?</p>	<p>Vacant land is available close to and adjacent to existing built-up areas. Not all of these lands have infrastructure or services but their lower cost makes them attractive. Land is relatively flat</p>	<p>While the initial development was relatively far from the existing city and without infrastructure, over time the extension of the city has brought these areas closer to the built-up areas. The land is relatively flat, good agricultural land</p>	<p>These lands are relatively close to the built-up areas and are mainly serviced with electricity and water, though waste water is more generally available in the northern and central areas of the Municipality. Recent construction is mainly in the south although there is a good movement in Al Shiyah (east)</p>	<p>Most of the land is agricultural, rather flat and easily available, some is serviced and designated for housing</p> <p>The development in the area is scattered and it is done on individual basis and on small scale. Land is relatively flat with some areas with mild topography.</p>
Potential for Infill:				
<p>What proportion of land is available for construction in built-up areas?</p> <p>What price is the land?</p> <p>Would the owners be willing to develop or are they speculating?</p>	<p>While considerable land is available for infill, it is often more expensive (but has infrastructure). Most owners want to develop only to suit their own needs, and many do not have the funds.</p>	<p>There is considerable potential for infill development, but the owners lack resources.</p>	<p>Quite extensive areas and proportions of the land in all parts is available for infill development. People tend to lend from banks to build and invest in rental, yet there is a good willingness to sell among individuals.</p>	<p>More than half the total land area is available as infill, ranging from 40% in Sama to 70% in Raba'a. Most owners would like to develop their land but are constrained by a lack of finance</p>
Extension Possibilities:				
<p>What proportion of buildings are single story?</p> <p>When/why would owners be willing to extend upwards?</p>	<p>Most of the buildings are one or two stories. However, owners would only extend for their own needs, not for renting out.</p>	<p>The majority of the buildings are 2 storey, and most owners, especially of the newer villas are upset over the construction of apartments. Owners may be willing to add another story for their own or their family's use, especially as new land becomes more expensive.</p>	<p>There is a range of buildings from two to four storeys, mostly mixed use, with perhaps only 2% being purely residential.(This is in the center only) Owners are well aware of the investment possibilities and most have developed their buildings to accommodate renting, including to Syrians.</p>	<p>Most buildings are 2 floors, with few having 4 floors. Usually there are 2 apartments on each floor. Most of the extensions are to accommodate family needs, yet we visited few examples of apartment buildings rented to Jordanians and Syrians</p>

Jordan Affordable Housing National Design Competition

Terms of Reference

Introduction:

The growing housing demands as a result to population growth, combined with the refugee crisis fleeing from neighbouring countries as a result of the deteriorating political and security situations, have led to remarkable hikes in housing units. The price range of new housing units has been between JD 30,000 and JD 60,000 – with a median price of JD 45,000 – making them unaffordable to low- and lower-middle income groups, thus, rental housing has been the main source of affordable housing for low-income and vulnerable families in Jordan. As a result, the cost of rental housing has elevated, making them inaccessible for lower-middle income groups. Moreover, according to the Housing and Urban Development Corporation (HUDC); the annual housing demand has been estimated with an average of 33.000 housing units before the Syrian crisis, while the latter has affected these estimates leading to an increase in the total housing demand of approximately 100.000 units.

The remarkable and ongoing hikes in housing prices and rental costs, along with the concerns relating to a continuous situation due to population growth and the misalignment between supply and demand sides, reflect the need to provide housing units to meet the natural population growth, irrespective of the housing demand arising from the influx from neighbouring countries which may be considered as an exceptional situation.

The Jordan Affordable Housing Programme is adopted within the framework of the National Response Plan formulated in response to the impact of the Syrian refugees in host communities and in cooperation between the Hashemite Kingdom of Jordan represented by the Ministry of Public Works and Housing and the United Nations Human Settlements Programme (UN-Habitat). This programme aims to deliver 30,000 affordable, small-sized housing units that can be purchased by Jordanian families earning between 300 and 500 JD per month and rented to low income Jordanians or refugee households at affordable rents of about 150 JD per month.

Overall Objective

Provision of affordable and sustainable housing to vulnerable households that cannot access the housing market.

Affordable Housing

Housing obtained at the lowest prices and best quality which can be used at the lowest cost to meet the household's current and future needs.

Competition Objective

Provision of the best and most innovative design for affordable and sustainable housing units to cater the needs of vulnerable households, and to ensure the competitiveness among architects and engineering firms

in developing technical and environmental concepts that would enhance the performance of affordable and green housing.

Maximum target costs

Unit cost of 65m² is JOD 12,000 (exclusive of land cost)

Plan/Design requirements

- Acceptable to Jordanians with a special attention to the local design characteristics/ standards.
- Meeting Green Housing Standards(sanitation, energy consumption , reuse of water , etc)
- Responsive to individual needs.
- Responsive to location and climate conditions in Jordan: (Hot-Dry) / (Temperate)
- Min unit space 60- 65m² – 2 rooms, K&B
- Extendible, horizontally or vertically up to 120- 130 m²
- Maximum of 4 stories.
- Responsive to artistic features.

Planning/Layout targets

- Submission of varied designs (Detached, semi-attached units and apartment).
- Efficient use of land through the application of the three extendible designs.
- Clear indication of the methods adopted for the applications of the submitted designs in conformity with the building regulations and provisions adopted by the municipalities under the jurisdiction of the Ministry of Municipal Affairs and Greater Amman Municipality (Residential A, B, C, D, H, popular attached housing) to ensure the best land utilization in terms of cost and total housing units constructed.

Construction criteria

- Durability using adequate construction methods and materials to keep the cost of housing unit construction and maintenance at its minimal and to preserve its economic value.
- Design diversity and flexibility.
- Quick and easy assembly.

Submission requirements:

Comprehensive architectural designs/ drawings to include the following:

- Design and environmental idea / design philosophy
- Explanatory details indicating the design methods applied to meet the green building requirements according to national and international building codes and application positions within the submitted design.
- Architectural plans.
- Elevations.
- Sections.

- Design perspective.
- Extension options.
- Project explanation to provide full description of the project indicating design idea, construction material, unit estimated cost along with bill of quantities and specifications for each model. This should be submitted on (A4) paper size along with the drawings.
- Designs should be submitted on A1 cardboard.
- CD-ROM to include all drawings and explanatory memorandum.

Evaluation criteria

Meeting the maximum set of design requirements.

The Jury

- Eng. Adnan Ma'aly (Head of Jury)
- Dr. Eng. Fatima "Myada" Al Nimri
- Eng. Basima Al Saoub/ Observer representing the Supervisory Committee
- Eng. Shadi Abdul Salam
- Tamam Mango - Socio- economic Expert
- Babar Mumtaz – Project owner representative
- Eng. Hind Ishaqat

Dates

- Launching date, Wednesday 18/2/2015
- Document receipt deadline, Tuesday 3/3/2015, by Mr. Hussain Al-Qar'an
- Enquiries to be submitted to the Supervisory Committee by no later than Saturday, 28/2/2015
- Supervisory Committee will respond to all queries, which will be circulated among all participants, on Saturday 7/3/2015
- Submission deadline, Wednesday 14/4/2015

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Design Competition

National Design Competition for Jordan Affordable Housing Programme

The Jordanian Engineers Association (JEA) and the United Nations Human Settlements Programme (UN-Habitat) invite engineering and consultation firms and individual architects to participate in the National Design Competition for the design of housing models under Jordan Affordable Housing Program. Interested firms / individuals may collect further information as well as the competition guidelines through JEA's Public Relations department no later than Tuesday 24/2/2015.

Three awards were allocated for the first three runners:

- First award: JOD 5000
- Second award: JOD 3000
- Third award: JOD 2000

Noting that the total package price is JOD (50), non-refundable.

Head of Supervisory Committee

Eng. Rula Al-Assir



Sponsored by: Jordan Housing Developers Association

Annex 4: Persons Met by the JAH Consultant Team

Jordan Affordable Housing

Contacts Met

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