

Jordan's housing finance institutions

By Jamal Abu Al Ajayes

THE housing stock in Jordan comprised 438,700 units at the end of 1986. The housing sector has a specially important role in the Jordanian economy. During the period of the five-year plan for economic development (1981-85) total investment in the housing sector was JD782 million (\$2,203 million), accounting for 34% of total capital formation.

Housing investment in Jordan contributed 11% of GNP in the period, a very high ratio compared with the figures for other countries — for example, 3% in the USA, 2% in the UK, and 3.7% in China. It should also be noted that the private sector accounted for 88% of total investment in housing in the plan period.

It is estimated that by the year 2006, Jordan will need 431,500 new housing units at a total cost of \$8 billion,

'Limited resources for housing'

and the low income category will account for 68% of the total.

There are five principal institutions involved in housing finance in Jordan:

- The Housing Bank
- The Housing Corporation
- Urban Development Department
- Jordan Valley Authority
- The Military Housing Corporation.

The Housing Bank

As the Government's resources available for the housing sector are limited, and given the shortage of long term housing finance, an urgent

need emerged for a specialised credit institution to mobilise savings and deposits from different sources, and to re-invest these funds in the housing sector so as to contribute to solving the housing problem in Jordan.

The three-year plan for social and economic development (1973-75) emphasised the necessity for establishing a specialised housing finance bank, and as a response the Housing Bank of Jordan was established in 1973 under the special law No 41 of that year.

The Bank's loan terms vary from one group to another, either in respect of the rate of interest, or the term of the loan, in accordance with the purpose of the project financed by the loan. The Housing Bank extends loans to low income people at a subsidised rate of interest, three percentage points less than the commercial rate.

The total outstanding loans and credit facilities granted by the Bank at the end of 1987 were nearly \$873 million, an amount equal to 27% of outstanding bank loans and credit facilities from other institutions. Since its establishment until the end of 1987 the Bank had made loans totalling \$2,017 million, and has financed 74,000 housing units, with a total area of 9.5 million square metres.

The Housing Corporation

The Housing Corporation was established in 1965 in accordance with provisional law No 47, and it started its operations in 1966. In its first two years of operation the Corporation gave 509 loans to civil servants. In 1970 the Corporation

changed its policy and began constructing houses, selling them to beneficiaries with long term instalment loans. The Corporation had undertaken 74 projects by the end of 1987 over the entire country, and this included 15,000 units with an area of 1.5 million square metres, and a total cost of \$437 million. The Corporation works for all Jordanian citizens but gives priority to state and public institutions' employees in the low income groups.

The beneficiaries usually occupy their housing units after paying 10% of the total cost of the unit in advance. The balance is paid through monthly instalments over 20 years. The annual interest rate charged on the outstanding balance is 5%.

The Corporation obtains its financ-

'High population growth rate'

ing from loan repayments, Government and Treasury assistance and local and foreign loans.

Urban Development Department

Jordan has one of the highest population growth rates in the world, and as a result migration, and the concentration of population in cities in general, especially in the capital (Amman), has led to slum areas which has had a negative effect on social and health conditions. The Government established the Urban Development Department in mid-1980 to develop such areas and to construct new housing units to suit

low income groups with monthly incomes of less than \$450.

The Department executed its first development project in the form of 2,750 new units, and upgrading 1,200 units in slum areas. The total cost of the project was \$48 million with the Housing Bank contributing \$26 million, the Jordanian Government \$9.9 million, and the World Bank \$17.5 million.

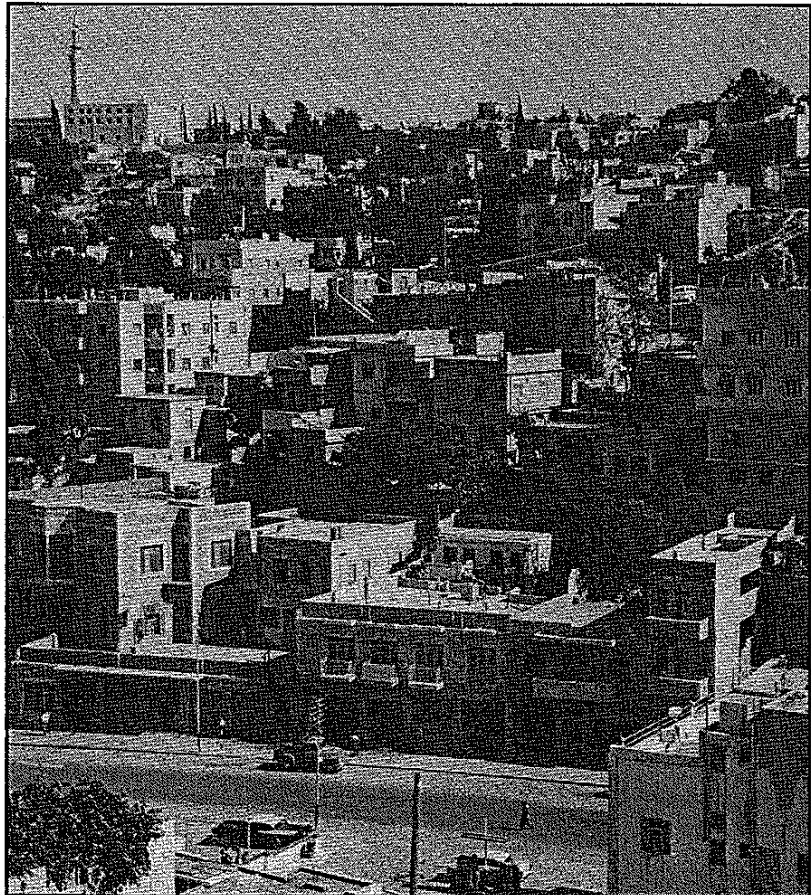
The Department's second urban development project will comprise the construction of 3,450 new units for low income groups, in addition to upgrading 670 units. The estimated total cost of this project is \$103.4 million. The Housing Bank will provide 27% of the finance, the World Bank 31%, the Jordanian Government 22%, and the proceeds from the first urban development project 20%.

The Department will also execute a third development project in various regions of Jordan. The project comprises the construction of 1,820 new units for low income groups, and upgrading 3,540 units. The estimated total cost of the project is \$85.8 million. The Housing Bank will provide 31% of the finance, the World Bank 28%, the Government 22% and sales of the commercial housing units 19%.

The Housing Bank grants loans to the beneficiaries of urban development projects to enable them to repay the cost of the units which provides the Department with a quick cash flow that enables it to continue to executing its projects without undue delay.

Jordan Valley Authority

The Jordan Valley Authority was established in accordance with the developing Jordan Valley law of 1977. During the five-year plan of 1976-80 the Authority constructed 300 housing units for civil servants in the Jordan Valley district, and 1,888 units for the farmers in the Valley. The Authority sold 1,458 units by instalments, the beneficiaries paying \$1,700 as a deposit, and the balance of the unit's price (totalling \$8,750) was being paid by instalments over 20 years.



Homes in Amman, Jordan.

The Authority also sold 375 units for cash. The remaining 55 units were allocated to other department officials in the Valley.

The Authority has also granted 436 loans, totalling \$3 million, to inhabitants of the Jordan Valley. The Authority offers its services in the housing sector to participate in social and economic development, aiming to:

- (a) Curb the spread of house building on agricultural land.
- (b) Gather citizens in housing settlements to provide them easily with basic facilities.
- (c) Settle inhabitants in the Valley, and limit migration to cities.

The main source of finance for the housing units constructed by the

Authority was the Treasury, which contributed nearly \$18.3 million. The Authority also had foreign loans from the United States Agency for International Development, and the German Reconstruction Bank.

The Military Housing Corporation

The Military Housing corporation granted officers and soldiers of the Jordanian military forces 8,898 loans totalling \$147 million in the period 1979-87. The Corporation grants loans and constructs housing units, and allocates them to beneficiaries. ■

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