GERMAN DEVELOPMENT INSTITUTE

Improving the Social Protection of the Urban Poor and Near-Poor in Jordan

- The Potential of Micro-Insurance -

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Foreword

The study that follows, on '*Improving the Social Protection of the Urban Poor and Near-Poor in Jordan. The Potential of Micro-insurance,*' presents the results of a research project which was initiated by the *German Development Institute* (GDI) in May 2000. The research was carried out by a GDI country working group between November 2000 and May 2001 in co-operation with the *Social Security Corporation* of the *Hashemite Kingdom of Jordan* as its counterpart.

The research project had two objectives: first, to analyse possible strategies to improve the social protection of urban low-income groups in Jordan and potential approaches for development co-operation to support these strategies. Second, to study the potential of micro-insurance in Jordan along a list of criteria derived from recent experience with micro-insurance in other countries. In this sense, the study might be able to serve as an example for research on the potential of micro-insurance in other countries.

It addresses three different groups of readers: (i) Jordanian governmental and non-governmental decision makers, (ii) the German government and the implementing agencies of German development co-operation and (iii) researchers and consultants in the field of social protection and micro-insurance.

Micro-insurance is a new concept in development policy, which is generally seen as a promising approach to social protection. Over the last ten years, a number of projects have got underway in many world regions. But the concept is not widely known in the Arab world. No initiative has been undertaken to promote micro-insurance in any of the countries of this world region.

This study is part of the GDI's many years of intensive research on social protection in general and in the Middle East and North Africa region in particular. Earlier reports have focused on new trends in social policy in the Arab world, on the *Social Fund for Development* in Yemen and on social protection reform strategies in Egypt.

The rationale of this study focusing on Jordan is fivefold:

First, widespread poverty is Jordan's major social problem and the incidence of poverty there is closely related to the occurrence of social risks.

Second, the Jordanian government is highly committed to improving social protection. Officials repeatedly stressed that this policy field ranked high on the reform agenda. King Abdallah II and the present government are aware of the fact that poverty alleviation is a prerequisite to stabilising the Kingdom's economic, social and political development.

Third, little research has yet been done on social protection in Jordan, although donor agencies repeatedly stress this sector's importance. As early as in 1994, the *World Bank* recommended that information be collected on poverty, labour markets and social protection. Since then, several poverty and labour market surveys have been carried out, but no systematic and comprehensive assessment of the country's numerous social protection systems was done.

Fourth, the German *Federal Ministry for Economic Co-operation and Development* has declared poverty eradication to be the first objective of German development co-operation with the Arab world. Moreover, in 1999 it published a position paper stressing the role of social protection in attaining this objective and defining the poor and near-poor as the main target group of German development co-operation in the field of social protection. The Ministry has confirmed its interest in this study and highly welcomed the GDI's initiative.

Fifth, last but not least, Jordan appears ideal for a first try with micro-insurance in the Arab world. It is a small but stable country in which the government is open to new ideas and the success and side-effects of eventual micro-insurance projects would be easy to estimate in a reasonable period of time. Moreover, little has been published in general on how to conduct *ex ante* assessments of the potential demand and supply of micro-insurance products.

For the purpose of the study, empirical field research was carried out in Jordan from 12 February to 27 April 2001. It centred on a household survey which focused on low-income quarters of Amman. Additionally, interviews were conducted with donor representatives, academics and, of course, all governmental, commercial and non-governmental institutions relevant for social protection in Jordan. At the end of the GDI mission's stay in Jordan, the preliminary results of a draft of this study were presented for discussion, at the *Al-Amra Hotel* in Amman, to all persons interviewed as well as to other interested parties.

When the authors of this study were in the last phase of editing it, the GDI learned that a first partnership aimed at offering micro-insurance had been established shortly after the GDI mission had left Jordan. The USAID-financed AMIR programme and the *Near East Foundation* are considering offering a type of life and disability micro-insurance product similar to that suggested by this study.

The GDI team would like once again to seize the opportunity to express its gratitude for the great support provided by the *Planning and Research Department* of the *Social Security Corporation* for preparing and carrying out its research in Jordan. It extends its most cordial thanks to the Director General of the corporation, Mr. Ahmad Abdal-Fattah, to Mr. Nawaf Kalaldeh and his team from the *Planning and Research Department* and to the earlier Director General, Dr. Yaser Adwan, who got the cooperation with the GDI on its way.

The GDI team also thanks all of its interlocutors in Jordan and in Germany, who have given useful information and their ideas and provided comments and suggestions aimed at making the research project a success.

Special thanks, however, are due to Mrs. Khawla Salahat, Mrs. Rufeida Hanresh, Mrs. Sunya Urabi, Mr. Ghassan Abu Nasser and Mr. Issam Hamarsheh. They accompanied us into the households and introduced us to our interview partners in the field. Without them, no empirical research would have been possible.

Last but not least, the GDI team extends hundreds of thanks to our interpreters, who did a very fine job during the interviews. They were excellent partners and have become our dear friends.

Bonn, October 2001

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Acronyms

AMIR	The AMIR Programme / Access to Microfinance & Improved Implementation of Policy Reform (USAID-financed agency for the promotion of micro-finance)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Co-operation and Development)
CARE	Co-operation and Assistance Relief Everywhere (international NGO)
CBJ	Central Bank of Jordan
CHIP	Civil Health Insurance Programme (Jordan)
CPP	Civil Pension Programme (Jordan)
CSS	Center for Strategic Studies, University of Jordan
DEF	Development and Employment Fund (Jordan)
DOS	Jordan Department of Statistics
EIU	The Economist Intelligence Unit (private sector agency based in London)
FAFO	FAFO Institute for Applied Social Science (former Fagbevegelsens Forskningsstiftelsen / Labour Union Movement Research Foundation, Norway)
GDF	Global Development Forum (Jordanian NGO)
GDI	German Development Institute
GDP	gross domestic product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (service company for technical co-operation owned by the German Federal Government)
GUVS	General Union of Voluntary Societies (Jordan)
HUDC	Housing and Urban Development Corporation (Jordanian public agency)
IBRD	International Bank for Reconstruction and Development (The World Bank)
IDA	International Development Association (World Bank Group)
IFC	International Finance Corporation
ILO	International Labour Organisation / International Labour Office
IMF	International Monetary Fund
JD	Jordanian Dinar
JEA	Jordan Engineers Association
JOHUD	Jordan Hashemite Human Development Fund (former Queen Alia Fund for Social Development; Jordanian foundation)
JUH	Jordan University Hospital
KfW	Kreditanstalt für Wiederaufbau / German Bank for Reconstruction (German public sector bank responsible for financial co-operation)
MENA	Middle East and North Africa
MFI	micro-finance institution
MOP	Ministry of Planning of the Hashemite Kingdom of Jordan
MOF	Ministry of Finance of the Hashemite Kingdom of Jordan

MOH	Ministry of Health of the Hashemite Kingdom of Jordan
MOSD	Ministry of Social Development of the Hashemite Kingdom of Jordan
MPP	Military Pension Programme (Jordan)
NAF	The National Aid Fund (Jordanian public social assistance agency)
NEF	Near-East Foundation (international NGO)
NGO	non-governmental organisation
NHF	Noor al-Hussein Foundation (Jordanian foundation)
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PHC	primary health care
PHR	Partnerships for Health Reform (U.S. agency)
PPP	public-private--partnership
PVO	private voluntary organisation
RMS	Royal Medical Services (Jordan)
ROSCA	rotating savings and credit association
RSS	Royal Scientific Society (Jordan)
SAP	structural adjustment programme
SEWA	Self Employed Women's Association (women's trade union in India)
SHINE	Social Health Insurance / Networking and Empowerment (Philippines)
SPP	Social Productivity Programme (Jordan)
SSA	United States Social Security Administration
SSC	Social Security Corporation of the Hashemite Kingdom of Jordan
TPA	third party administrator
UK	United Kingdom of Great Britain and Northern Ireland
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USAID	United States Agency for International Development
US$	United States Dollar
WHO	World Health Organisation

Currency Conversion

1 JD (Jordanian Dinar)	=	1,410 US $ (US-Dollar)
	=	1,613 € (Euro)
	=	3,155 DM (German Marks)
1 US $	=	0,709 JD
1 €	=	0,620 JD
1 DM	=	0,317 JD

(Currency conversion according to interbank exchange rates from 1 April 2001)

Abstract

The present study proposes that non-governmental and commercial institutions in Jordan should seek partnership in micro-insurance projects and recommends that donors support such initiatives. It argues that micro-insurance is a new promising approach to reducing the vulnerability of urban population groups that are difficult for conventional social protection strategies to cover. Nevertheless, social assistance and social insurance still have their role to play.

The vulnerability of households to risks (such as the death, work disability or unemployment of their provider, illness or old age) is a major factor contributing to widespread poverty in Jordan. Almost half the population lacks access to social protection instruments, and hence the occurrence of risks leads to serious declines in well-being – often below the poverty line.

The present gap in social protection provision is of special concern for low-income groups. Most of them are informal sector employees and are thus not covered by social insurance. Private insurance is too expensive for them and their ability to save is limited. Traditional mutual support among relatives, friends and neighbours is limited in scope and not sufficiently reliable to constitute effective protection. Social assistance, finally, reaches less than 4 % of the population.

Micro-insurance is a feasible approach to closing part of this gap. The study shows that a high number of urban households would be willing to provide for the future and are able to pay small insurance primes but lack adequate provisioning offers. The study presents the design of a suitable product and outlines the potential organisational shape of co-operation between non-governmental organisations and commercial insurance companies. These partners would, with the backing of the state, be able to offer a term life and work disability micro-insurance product at an affordable price. The insurance company would design the product, invest reserves and re-insure the scheme, while the non-governmental organisation (a welfare organisation or a micro-finance institution) would assume responsibility for product marketing, underwriting and claim management. The idea behind such partnership is to combine the strengths of the actors involved, in this way reducing risk potentials and lowering transaction and information costs.

However, the study also stresses that micro-insurance cannot provide for comprehensive social protection: for the time being, it would be possible to offer only life and work-disability insurance. Moreover, the micro-insurance approach is not an appropriate approach to covering the entire urban population. While it can reduce the vulnerability of the non-poor, it does not present a solution for the desperately poor, who have no extra-income for insurance.

Accordingly, what is required is a threefold strategy. The study recommends the following measures: (i) launch of micro-insurance for the vulnerable non-poor, (ii) widening of the outreach of social assistance to all of the desperately poor and (iii) reform of the operating social insurance schemes with an eye to restoring their financial sustainability and making them fit for a future step-by-step extension of their coverage to additional groups of the employed.

Executive Summary

Introduction

Background and Objective of the Study

Poverty remains one of Jordan's major problems. The extent of poverty is rising and the country's social protection systems are unable to cushion this development. They cover only part of the population, leaving the other part vulnerable to risks such as the death, work disability or dismissal of their main provider, old age or illness.

The present study examines how the social protection of vulnerable groups in Jordan can best be improved. It understands social protection systems as instruments of subsidiary support that help individuals or households to manage their risks and cushion the consequences of risks.

Special emphasis is laid on exploring the potential of micro-insurance, a new concept in social protection, which is as yet little known in the Arab world. Micro-insurance policies are small and affordable contributory risk-pooling products designed to meet the special needs and capacities of low-income groups.

The urban poor and near-poor are at the centre of the analysis: urban groups living below the absolute poverty line - or above it, yet vulnerable to social and economic risks. Vulnerable, in this context, means to be at risk of falling into poverty whenever a risk occurs.

Main Thesis of the Study

The study's results indicate that micro-insurance is a promising approach to improving the social protection of the urban *near-poor*. In the long run, extending social insurance coverage is an alternative. But beforehand reforms will have to be carried out in the health sector and social insurance schemes alike. The majority of the *poor*, however, can only be protected by social assistance.

One of the study's recommendations is that non-governmental and commercial institutions in Jordan should co-operate in offering life and work-disability micro-insurance. The Jordanian government and foreign donors are called upon to support such initiatives by creating favourable framework conditions and by providing technical and possibly financial assistance.

Methodological Approach of the Study

This study was conducted by a research team from the *German Development Institute* (GDI). Its results are based primarily on a household survey carried out during a eleven-week mission to Jordan from February to April 2001. The survey, based on a mixed quantitative and qualitative research methodology, covered a total of 139 households from nine quarters of East Amman. The sample is not representative of the urban Jordanian population, but though its composition very closely resembles the structure of representative national surveys. The survey's aim was to assess the current protection of the urban poor and near-poor, their need for additional protection and their potential demand for micro-insurance.

During the survey phase, the potential demand for micro-insurance was compared with the potential supply: initial results of the survey were presented to commercial insurers. Their comments were taken into account during the second half of the survey, when their proposals were discussed with households. Moreover, several decentralised organisations were interviewed with an eye to analysing their capacity as micro-insurance agents; the criteria used were derived from recent experience with micro-insurance in other countries.

Information from earlier reports as well as interviews with government officials, organisations active in the field of social protection, donor agencies and academics were used to complement the data generated by the survey.

Organisation of the Study

The study starts out by outlining a framework for the subsequent analysis. It goes on to show that poverty is Jordan's major problem, that the country's operating social protection systems suffer from serious deficiencies and that a high percentage of households are trapped in a gap between these systems. The study finally analyses the potential of micro-insurance in Jordan and presents recommendations for Jordanian actors to reform social protection as well as proposals for development co-operation.

Protecting the Poor and Near-Poor

Vulnerability and Poverty

Risks are important poverty factors. Every human being is exposed to risks such as the death, work disability and dismissal of a main provider, illness, old age, business failure, drought, inflation, deforestation, war etc. Without support, many households fall into poverty when these risks occur, because risks lead to a sudden decline in income and/or rise in spending, thus destroying a household's capacity to meet its most basic needs.

Risk Management and Social Protection

Social protection systems help households to manage risks. They are a means designed to reduce poverty in three ways: (i) They use transfer mechanisms to lift people out of poverty. (ii) They support people in preventing the occurrence of specific risks and in providing for the negative effects of risks by pooling and diversifying specific individual risks. (iii) They reduce the insecurity perceived by households with respect to the future and thus promote long-term planning and human and productive capital investment and encourage households to assume new risks implied by new income-generating activities.

Extending Social Protection to the Poor and Near-Poor

However, in many countries large shares of the population are excluded from social protection and thus vulnerable to risks. This holds especially true for low-income earners: (i) Social insurance is usually based on formal employment and is often restricted to middle- or even high-income groups: government employees and members of the armed forces and possibly employees of the large companies of the formal 'modern' sectors. (ii) Social assistance is often insufficient in scope and scale. (iii) Market-based products such as credit and private insurance are too expensive for low-income earners. (iv) Informal systems such as mutual support networks are insufficiently reliable and provide only limited assistance.

Three strategies geared to closing part of the gap in social protection are conceivable: (i) extension of the coverage of mandatory social insurance; (ii) broadening of the outreach of social assistance and (iii) development of voluntary contributory risk-pooling schemes designed to meet the capacities of the poor and near-poor (i.e. vulnerable non-poor).

Micro-Insurance

The concept behind micro-insurance is voluntary risk-pooling. Micro-insurance products are affordable insurance policies that meet the demand of low-income groups. This is a new approach in social protection, and experience with operating schemes is limited. Still, it is possible to say that micro-insurance schemes are viable when certain conditions are given:

First, micro-insurance depends on a favourable framework: political and economic stability, investment opportunities, adequate insurance regulation, socio-cultural acceptance of insurance and effective judicial institutions and procedures.

Second, low-income groups must perceive a need for micro-insurance (demand). They must be vulnerable to risks, aware of these risks, willing to provide for the future, understand and accept the concept of insurance and be able to pay contributions on a regular basis.

Third, micro-insurance should start out with products that are easy to design and that initially cover non-covariant risks that are characterised by high uncertainty and high potential losses. Life, work-disability and in-patient health insurance, for example, pool risks that occur only infrequently but entail very high losses that are extremely difficult to meet with the aid of simple savings products.

Fourth, supply should be organised along the lines of the 'partner-agent model'. Here, a decentralised organisation active at the grass-roots level (the 'agent') co-operates with a solid institution with experience in the insurance business and access to investment opportunities (the 'partner'). The idea of such a partnership is to overcome the high transaction costs and the information asymmetries that are inherent in the provision of insurance and which constitute the major obstacles to offering low-premium contracts to low-income groups. The partner-agent model divides up the tasks involved in insurance business between different types of institutions, in this way combining their specific strengths. A private or public sector insurance company here plays the role of partner and assumes responsibility for designing the product, investing reserves and pooling risks among a high number of insured persons. The role of agent is played by a non-governmental organisation, a union, a co-operative or a micro-finance institution, which is unable to fulfil the tasks of the partner. Its staff, in turn, has intense, often personal, contacts with the target group and thus has both far fewer difficulties and lower costs than the partner in marketing the product and underwriting and checking client claims.

Risks and Urban Poverty in Jordan

The Extent of Urban Poverty

Combating poverty should be seen as a central target of Jordan's development policy for the coming years. Poverty is the country's major social problem. The most reliable study on social issues in Jordan found that 23 % of households and 31 % of individuals have incomes below the national poverty line. Other estimates on the extent of income poverty among households diverge widely from these figures. They range between 11 and 27 %, but all researchers agree that the extent and the intensity of income poverty in Jordan have significantly increased from their comparatively low 1980s levels and that they are continuing to rise. This holds true for urban and rural areas alike. (Throughout the present study, poverty is understood as income poverty. Notwithstanding the acknowledged objections to the use of a one-dimensional indicator for a multi-facetted phenomenon, this is justifiable in the context of social protection, whose task is to smooth income and expenditure.)

The Profile and Causes of Urban Poverty

To reduce poverty, Jordan has to embark on a strategy that includes poverty-oriented policy reforms at the macro-level and structural adjustments at the meso-level. A two-pronged strategy of this kind is necessary because widespread poverty can only be explained by a combination of factors at the macro-, micro- and meso-levels:

At the macro-level, poverty can be understood as the result of low average income levels and an unequal distribution of income and human, physical and social assets among Jordanian households. The incomes of the majority of the population are above the poverty line, but not far above it. Fluctuations in individual incomes (usually caused by the occurrence of risks) and upward drifts of the poverty line (usually caused by a rise in prices) can thus pull additional households into poverty. For this reason, efforts have to be made to redistribute productive assets and foster per capita income growth. At present, average income levels are declining due to decreasing labour productivity; unemployment and underemployment rates are rising, the labour force participation rate is still low and all income generated has to be shared by a growing population.

At the micro-level, poverty emerges when risks occur. Though many households, rural and urban alike, are able to satisfy their basic needs, they often fall into poverty when a main provider dies, is laid off or retires because of old age or work disability, when a family member is in need of expensive medical treatment, when a couple is divorced or separated and the wife is left without any income, when the number of children rises or when these children marry and are no longer able to support their parents.

Moreover, households are more likely to be poor when their potential providers have only elementary schooling or even less.

At the meso-level, the ineffectiveness of Jordan's social protection systems is another poverty factor. These systems seem unable to cushion the negative effects of social shocks. This assumption is based on the observation that despite the country's high number of different social protection schemes, poverty is most widespread among households headed by a woman only or by an unemployed or underemployed, disabled, old-aged or undereducated male. Hence an improvement in social protection is necessary to complement macro-level poverty reduction strategies.

Social Protection Systems in Jordan: an Institutional Analysis

Jordan's social protection systems suffer from serious deficits in the areas of efficiency and social fairness. They are well-funded and pursue different risk management strategies: risk prevention, risk pooling, risk diversification and risk coping. Still, large segments of the population are not covered and the benefit conditions discriminate between different social groups.

In Jordan, social protection is based on six different institutions: (i) the state, (ii) the international community, (iii) the market, (iv) civil society organisations, (v) co-operative self-help groups and (vi) individual households and society at large.

Public Systems

The state is still the major provider of social protection, but a large share of the Jordanian population is not covered by any public protection system. This is not due to a lack of diversity on the part of the systems. The state provides social insurance, social assistance, social credits, subsidised public health care and commodity subsidies. Moreover, public spending for social protection is high compared to other developing countries. In 1995, it accounted for 6.6 % of GDP.

Public social protection suffers from a lack of co-ordination and harmonisation between different public institutions running similar programmes for different social groups. Other problems result from the discriminatory eligibility criteria of these programmes and the skewered generosity of their benefit provisions.

Social insurance coverage extends to little more than 50 % of the population. Moreover, benefit conditions and levels differ among three groups of the employed: (i) public and formal private sector employees are insured by the *Social Security Corporation* (SSC), (ii) civil servants by the *Civil Insurance Programme* and (iii) the members of the armed forces by the *Military Insurance Programme*. All schemes provide for pension and work injury benefits, but only the latter two include health insurance. The benefit-contribution ratio is also far more generous for the *Civil* and the *Military Insurance Programme*.

Social assistance spending is insufficient in scope and scale. It does not exceed 1 % of GDP and reaches less than 20 % of the needy (5 % of the population). Moreover, four public institutions are running social assistance programmes with different eligibility criteria and divergent annual per capita assistance, ranging from 54 to 307 JD.

Social credits for income-generating projects are provided by the *National Aid Fund*, the *Development and Employment Fund*, the *Ministry of Social Development* and four semi-governmental foundations. In 1998, however, they approved a total of only about 2,500 social credits.

Basic commodity subsidies hardly play a role any more in Jordan. But public health care facilities are highly subsidised and primary and secondary schools are completely free of charge.

Market-based Systems

Market-based social protection includes commercial insurance, credit and savings products.

27 insurance companies, some self-insured firms and the professional associations offer health, accident and life insurance. Their products, however, are too expensive for low-income earners: Only 1.7 % of the population have life insurance, while 5 % are covered by private health insurance.

Savings accounts and credits from banks are not accessible for low-income groups either, a fact mainly due to rigid access criteria (e.g. collateral requirements). For this reason, donors have set up micro-finance institutions to finance income-generating projects. Most micro-credits, however, are granted to medium-sized enterprises rather than small companies or business starters.

Programmes of the International Community

The *United Nations Relief and Works Agency for Palestine Refugees in the Near East* is a quasi-public institution that provides social assistance, primary health care and basic education programmes in refugee camps. But only registered Palestinian refugees, who constitute less than 35 % of the population, are eligible.

Programmes of NGOs

Most Jordanian non-governmental welfare organisations (NGOs) are members of the *General Union of Voluntary Societies in Jordan*. Their programmes focus on women's literacy and education courses, family consultancy and disability rehabilitation. Some also run micro-credit programmes, others emphasise women's empowerment. The agenda of international NGOs is very similar to that of domestic NGOs, but they have only limited outreach.

Group-based Systems

The popular *Ǧama^c^iyyât* are *rotating savings and credit associations*: Members pay monthly sums to the group leader, who pays out the money collected to a different member every month. The *Ǧama^c^iyyât* thus constitute informal alternatives to bank saving and lending. They play an important role for households in smoothing out short-term fluctuations in income. But they do not pool risks and are hence not suited for the task of managing risks with lasting effects.

There are also numerous mutual insurance groups based on kinship relations. Members pay regular contributions into a fund which provides small benefits in cases of emergency that have been defined *ex ante* (to cover e.g. funeral or wedding costs).

Household-based Systems

Many households still rely entirely on the mutual support traditional among relatives, friends, and neighbours. But this risk-coping strategy is limited in scope in that most of the relatives and neighbours of those in need are poor themselves. One even more important consideration is that such strategies also lack reliability because provision of assistance is not based on legal entitlements and can thus not be enforced under the law.

The Current Gap in Social Protection in Jordan and Strategies for Coping

Despite the variety of strategies used by Jordan's social protection systems, almost half the population remains without protection from even the most serious risks. This is one finding of the GDI household survey. While medium- and high-income groups are covered by public or private insurance and some of the desperately poor are eligible for public assistance, the near-poor are caught in a gap in social protection.

When social risks occur, households are forced to deal with their effects. The GDI survey found that the most common strategies used to cope with risks are to (i) use savings, (ii) borrow money from friends, (ii) mobilise additional income from labour and (iv) apply for social assistance.

Old Age, Work Disability and the Death of a Main Provider

No more than 50 to 60 % of the population are insured against life-cycle risks like old age, work disability and the death of a main provider, though these risks entail very grave effects and often result in poverty. While social insurance schemes cover around 50 % of the population, the outreach of private insurance and social assistance that address these risks is negligible. Family assistance is often the means of last resort.

Divorce and Separation

Women face specific life-cycle risks. They are vulnerable to divorce and separation from their husbands, because for women it is harder to find jobs than for men. By law, men are obliged to provide for their wives, even after divorce. The GDI household survey indicates, however, that many divorced and separated women are unable to enforce their legal rights. It is for this reason that 9.9 % of NAF beneficiaries are divorced women.

Unemployment and Underemployment

Dismissal and business failure are frequent economic risks that are not covered by any insurance in Jordan. The GDI survey revealed that social assistance is no substitute either, because families with employable males are not eligible.

Health Risks

Illness is another serious risk. However, little more than half of the population has public or private health insurance. Only some of the very poor (5 % of the population) hold *green-cards* from the *Ministry of Health* (MOH) allowing them to use public health facilities free of charge. All Jordanians can refer to the highly subsidised MOH facilities, but their standards are low and patients are often not admitted for a lack of vacant beds.

High Number of Children

No social protection systems specifically aim at compensating families with a high number of children, although this group is much more likely to be poor than other families.

Low Education

Primary and tertiary schools are free of charge. Nevertheless, an above-average share of the poor have only basic education or even less.

Micro-Insurance in Jordan

Micro-insurance would be able to bridge at least part of the current gap in social protection in Jordan. Partnerships between non-governmental or micro-finance organisations and commercial insurance companies are a realistic prospect, they would be able to offer a life and work-disability micro-insurance product that most of the urban near-poor would be willing and able to pay for.

Framework Conditions

The framework conditions for micro-insurance in Jordan are favourable: the political situation is stable, and while macro-economic development is not brilliant, it is solid; inflation is low and investment is possible. Micro-insurance is reported to be in conformance with Islam under some non-restrictive conditions. Insurance regulation is good, though some amendments should be envisaged, e.g. concerning the licensing conditions for insurance agents and the NGO law.

Demand

The potential demand for micro-insurance products is substantial. The GDI survey confirmed that at present a high number of urban households are vulnerable to risks; they lack access to any social protection instrument. Nevertheless, they are aware of the risks that may occur and wish to provide for the future. The majority of interviewed households had no difficulty in understanding and accepting the concept of micro-insurance. Only a minority expressed religious objections to insurance as a strategy for mitigating risks.

But the GDI survey also revealed that most of the urban near-poor - though only a limited number of the poor - would be willing to participate in micro-insurance and able to pay regular premiums.

Product Design

Term life and work-disability insurance is a product that commercial insurers – in co-operation with a decentralised agent – could offer at affordable premium levels and that the urban near-poor would demand. A product of this kind is viable, easy to design and manage and appropriate to protect households from the most serious risks they face (i.e. high-uncertainty / high-loss risks).

Property or health micro-insurance, however, are not options for the time being. According to the results of the GDI survey, very few urban households would buy property insurance. The potential demand for health insurance is even higher than that for life or work-disability insurance, but viable products are too expensive for the majority of households. It is, on the one hand, not possible to design affordable contracts covering treatment in private health sector facilities. On the other hand, potential partners in micro-insurance are unwilling to insure treatment in the - far less expensive - public health care facilities, since to them information problems such as adverse selection, moral hazard and fraud appear insurmountable.

Organisation and Actors

It would be recommendable for micro-insurance in Jordan to be organised along the lines of the 'partner-agent model' outlined above. It is essential for partners of micro-insurance (public or private insurance companies) to co-operate with decentralised agents in marketing the insurance product, underwriting and managing claims with a view to (i) minimising transaction and administration costs, (ii) solving information problems and (iii) building confidence among clients.

It is, though, not possible either, to run micro-insurance without the experience of commercial insurers: Their capacities to pool risks, invest funds and minimise adverse incentives are essential here.

The partner of micro-insurance in Jordan should be a private sector insurance company rather than the public *Social Security Corporation* (SSC). Both would be able to pool risks on a broad customer basis, but the SSC has shown little interest in participating. Moreover, it lacks the necessary actuarial know-how, is unable to invest reserves in a profitable way, and its administrative and financial performance is weak.

On the other hand, some commercial insurers are interested in expanding into the micro-insurance business and flexible enough to co-operate with non-profit agents. Their incentives are fourfold: (i) to gain access to new markets and enlarge their total market share, (ii) to realise profits despite small premiums, (iii) to gain publicity by addressing the near-poor and (iv) to attract clients who might later, once their economic situation has improved, become clients for standard products.

These companies nevertheless have some concerns. They fear that (i) potential demand may not translate into effective demand and the number of clients be too low to make the scheme profitable, (ii) micro-insurance may find itself exposed to an adverse selection of high risk groups only and (iii) co-operation with non-profit agents could threaten the profitability of micro-insurance.

The role of agent could be played by a micro-finance institution (MFI), the *zakat* committees affiliated with the *Zakat Fund* or Jordan's foundations. Other organisations such as the *General Union of Voluntary Societies* might be considered as well, but first have to build capacities.

The role of the agent should not be an exclusive one. It would be recommendable to offer micro-insurance through various agents in order to balance out their respective strengths and weaknesses, maximise outreach and address different social groups.

The MFIs' comparative strength is their experience with other micro-finance products. Their micro-credit programmes have reached sustainability within two years. Moreover, the MFIs are administratively and organisationally stable and their staff is well-trained and very professional. However, their outreach is relatively limited and few of their clients are low-income earners.

The *zakat* committees affiliated with the *Zakat Fund* have no experience with financial products and most of their workers are volunteers, but their programmes are very efficient and perform well. Their major advantages, however, are their almost nation-wide outreach and their intrinsic commitment to serving low-income groups, which is motivated by the religious belief of their staff.

Jordan's foundations, particularly the *Jordan Hashemite Fund for Human Development* and the *Noor-al-Hussein-Foundation*, also have broad outreach and deal with low-income groups. Moreover, they have qualified personal and even experience with credit insurance. Their over-head costs, however, which account for up to 60 % of their total spending, constitute a real weakness.

Opportunities and Limits

Micro-insurance in Jordan would not only improve the social protection of the urban near-poor but also benefit the agents and partners involved. The insurance companies would in this way gain access to new markets. The agents would gain experience in new fields of activity and could in this way build additional capacities and capabilities.

Micro-insurance would also have beneficial effects for Jordan as whole: raise public awareness of risks and help to put the state in mind of its duty to guarantee social protection for all.

Finally, experience in Jordan with micro-insurance could also serve as an example and provide lessons enabling other Arab countries to replicate the approach.

At the same time, however, micro-insurance should not be seen as the one-and-only solution for all problems and deficits in social protection:

— It does not address the poor and not all of the near-poor will subscribe.

— It cannot redistribute income in favour of the poor because participation is voluntary.

— Only life and work-disability insurance is feasible.

— Benefit levels would be low as a consequence of premium affordability.

Recommendations for Reform in Jordan

Of the three possible strategies for extending the overall coverage of social protection as outlined above, micro-insurance is the most promising approach for Jordan to cater for its urban near-poor.

Extending the coverage of social insurance could become an alternative approach. In the short-run, however, it will be difficult to realise, because in Jordan amendments in legislation entail long and drawn-out procedures. Moreover, the operating schemes should be thoroughly reformed with an eye to sustainability before additional – mostly low-income – groups are integrated within them.

Micro-insurance is in no sense an instrument that can be used to improve the social protection of the poor. Most of them are unable to pay for insurance and thus the only avenue open to them is support through social assistance.

We thus recommend a threefold strategy to reform social protection in Jordan: (i) establishment of micro-insurance, (ii) reform of social pension and health insurance and the health care sector and (iii) widening of the outreach of social assistance.

A Schedule for Establishing Micro-Insurance

The initiative in establishing micro-insurance in Jordan could be taken up by a neutral institution marked by its central position in social development in Jordan and its manifold contacts to public, private and third sector organisations.

We propose that the *Social Productivity Programme Unit* or the *Near-East-Foundation* should play this role of promoter of micro-insurance, i.e. to make the concept better known throughout Jordan, convince potential partners and agents to co-operate and prepare the ground for a pilot project.

Prior to implementation, additional research on the feasibility of and the demand for micro-insurance is indispensable. On the one hand, it is recommendable that the *Insurance Regulatory Law* and the *NGO Law* be changed to permit non-profit organisations (voluntary societies, *zakat* committees and the foundations) to become active as agents of micro-insurance. On the other hand, in-depth market research is required to analyse the structure of the potential micro-insurance market in terms of regional and social criteria.

Micro-insurance should start out with a pilot project. The target area has to be carefully chosen and the product offered must be well designed to meet the specific local demand. At the end of the pilot phase, the project should be evaluated to decide whether or not it should be terminated or scaled up as well as with a view to possible modifications in insurance contracts.

To replicate the pilot project, information and marketing campaigns have to be launched to raise public awareness about risks and make the concept of micro-insurance well-known throughhout the country. At the same time, it will be necessary to build up the capacities of additional potential agent organisations and train their staff.

Finally, a discussion forum could be established by all organisations involved as well as other interested parties to (i) ease the exchange of information, (ii) solve possible co-ordination problems, (iii) settle disputes and (iv) lobby for favourable legal framework conditions.

An Agenda for Reforming Social Insurance

The ultimate objective of extending the mandatory coverage of social pension and health insurance to all groups of the population should not be lost sight of. However, this objective should only be pursued in a step-by-step process and only after the schemes operation have been reformed.

Reforms must aim at restoring the efficiency and financial sustainability of these schemes. They already rely substantially on budget transfers (covering up to 85 % of their total spending). Public pension and public health care subsidies account for 13 and 8 % respectively of fiscal spending.

Not even the SSC's scheme is sustainable. Current surpluses are due to the fact that the system has not matured yet. Its annual spending is expected to exceed revenues before 2024, and by 2042 its reserves will be eaten up. Integrating additional groups of the employed into it, most of them earning low wages, would further exacerbate the SSC's financial position, as long as the scheme's current design has not been reformed.

This fact is mainly due to the scheme's overly generous minimum pension and early retirement provisions and its unsound benefit formula. The SSC's distorted investment policy and over-staffing are other factors contributing to its inefficiency. Hence, reforms are due in five fields:

— In general, the SSC must be granted more independence from government interference. In particular, the scope of the SSC's investment strategy has to be widened to allow for a more diversified portfolio, investment abroad and higher rates of return. The SSC should also build an expert investment unit.

— The legal age of retirement should be raised and early retirement benefits should be reduced and be computed on the basis of sound actuarial principles.

— The pension formula has to be reviewed. As long as pensions are computed on a last-salary basis, the benefit factor should not exceed 1.6 % for each contribution year, while in fact it is scheduled to rise from 2 to 2.5 % in 2001.

— On the other hand, however, pensions should be automatically adjusted for inflation.

— Minimum pensions must either be reduced or financed by the government. At present, 80 % of the insured are eligible for minimum pension benefits.

The *Military* and *Civil Pension Programmes* in turn should raise contribution levels and minimum years of contribution eligibility requirements.

As far as health insurance is concerned, extending coverage is even more important than it is for pension insurance: At present micro-insurance is unable to provide health insurance. This can only be achieved by integrating additional social groups into the *Civil Health Insurance* or by creating a new SSC daughter agency.

Beforehand, the sustainability of the existing schemes should be restored by (i) raising hospital user fees to reduce the number of referrals that could be treated in primary health care facilities, (ii) reducing the number of false claims by means of more effective claim management procedures and (iii) raising the contributions of those already insured. As far as new target groups are concerned, initially only in-patient care should be covered to keep their contributions low.

Recommendations for Broadening the Outreach of Social Assistance

Social assistance spending must be increased in scope and scale. This is a difficult task for a lower-middle-income country like Jordan. But it is possible to increase the efficiency of the providers by intensifying their co-operation, improving their targeting, reducing duplication of administrative structures and closing the loopholes that enable some households to obtain multiple aid. Such efforts would set free financial resources that could be devoted to additional beneficiaries.

The *National Aid Fund* is currently in the process of a reform aimed at achieving these goals, but as yet little success has been reported. Moreover, the *Zakat Fund* is also in need of capacity-building and restructuring to reduce its overhead costs.

Recommendations for German Development Co-operation

Possible initiatives to reform social protection in Jordan should be supported by development co-operation.

The Framework Conditions

The general conditions required for a German commitment in the field are given: (i) Social protection in Jordan needs to be reformed. Poverty and the vulnerability of households to risks are among the country's most serious problems. (ii) The government is willing to improve the outcomes of social policy, and a considerable number of reform programmes are already underway. (iii) The capacities needed to carry out the recommended reforms are, however, limited. The relevant institutions lack the expertise, skills and, in some cases, even the funding necessary.

Present Donor Activities

As yet, little support has been provided by multi- and bilateral donors towards reforming social protection in Jordan. Some have funded the reform of the *National Aid Fund*, others run micro-finance, community development or vocational training projects. Little support, however, has been provided to reforming social insurance, and no micro-insurance project has yet been initiated.

Potential Approaches

German development co-operation should consider to get engaged in this field in the future. Social protection is an instrument important to combating poverty, the uppermost goal of German development co-operation with the Middle East and North Africa.

Micro-insurance in particular should be supported. This would be in accordance with the German government's position that reforms in social protection should focus on the poor and near-poor. Moreover, German development co-operation has valuable experience with micro-insurance and thus comparative advantages in the field.

It is in line with a position paper of the *German Federal Ministry for Economic Co-operation and Development* to say that Germany should support possible micro-insurance schemes in four ways: (i) funding preparatory research, initial technical equipment and training of trainers, (ii) cushioning financial risks by setting up a re-insurance fund, (iii) providing expertise for preparing and monitoring a pilot project, training the agent's staff, launching marketing and information campaigns and building capacities, and (iv) providing the above-mentioned discussion forum consulting services.

Part I: Introduction and Theoretical Background

1 Introduction

1.1 Background and Objective of the Study

Poverty remains widespread in Jordan and has even increased since the late 1980s, when the country was hit by a financial crisis: overall economic growth took a negative turn and prices increased sharply. As a consequence, unemployment rates doubled and the extent and depth of poverty rose significantly. The situation of low-income groups further deteriorated during the 1990s as a consequence of the ensuing structural adjustment programmes, which, among other things, eliminated basic commodity subsidies.

As a consequence of Jordanian losses in purchasing power, the subsistence poverty line went up. This meant that a rising number of households found themselves living below the line and saw no way to escape poverty again because of the lack of jobs and opportunities to start business projects. Other households fell into poverty when social risks (like unemployment, work disability or illness) occurred.

Jordan's social protection systems are unable to cushion the detrimental effects of this development. Social protection systems are "*subsidiary systems of support*" that help individuals or households to "*manage the risks faced in life and cushion their consequences*".[1] A huge share of the Jordanian population is without any social protection; these people are not covered by social insurance and not eligible for social assistance. As a consequence, they are vulnerable to social risks.

Against this background, this report focuses on those groups of the population that are insufficiently protected against social risks. This focus group consists of two distinct subgroups: the *poor* and the *Near-Poor*.[2] 'The poor' refers to all those households already living below the national poverty line, while the group of 'the near-poor' (elsewhere referred to as 'vulnerable non-poor'[3]) is made up of households which are living above the poverty line but are at risk of becoming poor whenever economic or social shocks occur. They are not covered by formalised risk-provisioning systems and lack the financial resources and appropriate means and assets to cope with social shocks.

Meanwhile, a decision was taken to focus only on the *urban* poor and near-poor and to leave the assessment of rural areas for future research. The rationale for this more pragmatic decision was threefold. It can be assumed[4] that rural groups (i) face a higher variety of risks (from agricultural business), (ii) generate lower levels of cash income to spend for their own protection and (iii) are less well informed on insurance products and are hence more difficult to cover by contributory social protection schemes than urban groups.

The question is how the social protection of the urban poor and near-poor can be improved and whether micro-insurance is a promising strategy to achieve this objective. Micro-insurance policies are small and affordable contributory risk-pooling products designed to meet the special needs and capacities of low-income groups.[5]

This study analyses the current state of social protection in Jordan, examines alternative reform strategies and presents proposals aimed at enabling Jordanian actors to build up micro-insurance schemes and recommendations for foreign donors to support such efforts. Beside micro-insurance, the study also discusses reforms in other fields of social

1 Cf. BMZ (1999), p. 5.

2 Focusing on the poor and near-poor is in line with German development co-operation's objective of targeting above all the poor as well as "*population groups that are threatened with poverty due to social risks*"; cf. BMZ (1999), p. 4.

3 Cf. Sebstad / Cohen (2000), pp. 4, 9 and 33; Wright / Dondo (2001), p. 62.

4 Cf. Mosley (2001).

5 Cf. McCord (2001b), p. 25.

protection, though at far less length. This is due to the fact that the extension of social security coverage and the broadening of the outreach of social assistance have been extensively discussed elsewhere.

1.2 Main Thesis of the Study

It turns out that micro-insurance is in fact a useful means to close part of the current gap in social protection and thus to reduce the extent of poverty in Jordan. As a consequence, the study suggests that the Jordanian government and non-governmental organisations take an active role in building micro-insurance schemes and recommends that foreign donors support possible efforts in this field.

However, to minimise the gap in social protection, several strategies should be pursued at the same time. Micro-insurance is a useful concept for reducing the vulnerability of parts of the population, but it is not able to cover all risks and all social groups lacking access to social protection at present. Different reform strategies should be used at one time to cover different risks and to meet the specific needs of different groups of the population:

— Contributory micro-insurance schemes should be established to cover urban *near-poor* households and prevent them from falling into poverty as a consequence of the death or work disability of their main providers.

— The social assistance schemes already in operation should be reformed and their outreach be broadened to cater for the *poor*, who are unable to pay for their own protection.

— Social insurance coverage should be extended to workers in formal employment, where compliance can be easily monitored. This is especially true for the risks of illness and old age, which are difficult for micro-insurance to cover. However, before social insurance coverage is extended, thorough reforms in both, the operating pension and health insurance schemes and the health care sector are due.

1.3 Methodological Approach of the Study

These findings are based on three different sets of information sources: (i) available studies on social protection in Jordan; (ii) interviews with government officials, academics, foreign donor agents and the representatives of public institutions, private insurance companies and non-governmental organisations active in the field of social development in Jordan and (iii) a household survey carried out among poor and near-poor households in East Amman by a team from the *German Development Institute* (GDI) during a three-month research mission to Jordan between February and April 2001.

The interviews with public, private and third sector institutions constituted the first step in the research of the GDI team in Jordan. Their task was to

— complement and scrutinise the information given by other studies about (i) the framework of social protection in Jordan; (ii) the living conditions and problems of the urban poor and near-poor in Jordan; (iii) the relation of poverty and social risks; (iv) the coverage and performance of the existing social protection systems and (v) ongoing or planned reform projects and donor activities in the field;

— assess the potentials and limits of alternative reform options and identify the most promising of these strategies;

— explore possible approaches to support them through development co-operation;

— gather opinions about the potential of micro-insurance in Jordan and

— adequately design a household survey methodology.

The second step involved carrying out the household survey: 139 households from nine quarters of East-Amman were interviewed to assess (i) the current gap in social protection in Jordan, (ii) the social protection needs of the urban poor and near-poor and (iii) their potential demand for micro-insurance. The research areas were defined on the basis of extensive consultations with empirical social research experts in Amman. Within the quarters selected, the GDI team co-operated with well-known local grass-root NGOs which drew up a sample of households based on predefined criteria given by the GDI team, accompanied the team into the households and commented on the information given where necessary.

The results of this survey are not representative for Jordan. They can even not be said to reflect the situation of all of the urban poor and near-poor in Jordan: The survey, based on a semi-structured interview guideline (see end of Annex A) and a small, more or less randomly chosen survey sample, made use of qualitative research methodology. It is more a case study aimed at revealing some trends as regards (i) the major socio-economic problems of the focus group, (ii) the relevance of single risks, (iii) the nature and magnitude of the gap in social protection, (iv) the ability and willingness of poor and near-poor households to pay for their own protection and (v) their preference for single risk coverage by possible micro-insurance schemes.

However, it should be stressed that the demographic, income and risk profile of the survey sample is similar to that of Jordan's urban population as reported by nation-wide and other more representative surveys. For this reason, the information given by the interviewed households was evaluated by means of both, qualitative and quantitative data-processing methods.

The sample included households classified as 'poor', 'near-poor' and 'non-poor / non-vulnerable'. Annex A sets out in more detail the criteria applied for selecting research areas and households from within them, the composition of the sample and the survey's results.

At mid-term of the household-survey, as a third step in research, additional rounds of interviews were conducted with insurance companies. They were briefed about preliminary results from the survey as to the focus group's potential demand for micro-insurance and asked whether they felt able to offer an insurance product meeting this demand.

During the second half of the survey, the proposals of the companies for the design of micro-insurance products were taken into account: Households were asked not only whether they would be interested in micro-insurance and able to pay for it but also whether they would be willing to buy a policy with the specific design offered by the insurance companies.

At the end of the household survey, insurance companies were once again informed about the concerns of the interviewed households and asked about possible solutions to meet them. This iterative process was intended to produce more exact findings during the household survey and to fine-tune the design of a potential micro-insurance product.

In a fourth and last research step, institutions considered potential agents were interviewed and analysed to look into their capacities and interest in becoming involved in micro-insurance projects. The analysis of potential actors was conducted along seven criteria drawn from recent experience with micro-insurance in other parts of the world. The criteria included the institutions' (i) commitment to dealing with low-income groups, (ii) their outreach and proximity to the target group, (iii) the proficiency of their staff, (iv) their administrative capacities and performance, (v) their experience in managing financial products, (vi) their organisational and financial sustainability and (vii) their willingness to participate in micro-insurance.

1.4 Organisation of the Study

The study contains eight chapters. Chapter 2, which follows, constitutes a theoretical framework for the analysis of social protection as well as recommendations for reforms addressing the poor and near-poor. Moreover, the concept of micro-insurance is introduced and specified with an eye to best-practice experience.

Chapters 3 to 5 look into the current state of social protection in Jordan. Chapter 3 is an assessment of the extent, causes and profile of poverty. It highlights the correlation between poverty and the occurrence of risks and ranks single risks in accordance with their contribution to the spread of poverty. Chapter 4 is an analysis of the most important operating social protection systems from an institutional point of view, while Chapter 5 looks at these systems as a whole with an eye to estimating the current gap in social protection, identifying groups most affected by this gap and making out their preference for different strategies to cope with risks.

Chapters 6 to 8 assess the advantages of alternative reform strategies and formulate recommendations for Jordanian policy-makers, non-governmental institutions and foreign donors. Chapter 6 is central in that it contains a proposal to establish micro-insurance in Jordan. It (i) explores the objective and subjective social protection needs of the urban poor and near-poor, (ii) assesses the potential demand for micro-insurance in Jordan, (iii) discusses the capacities of different organisations in building up micro-insurance schemes and (iv) makes a proposal for the design of a suitable micro-insurance product. Chapter 7 makes recommendations for Jordanian actors to reform social protection. Beside a possible action plan for establishing micro-insurance, it presents proposals for reforms in the fields of social assistance and social insurance. Chapter 8, finally, discusses the role of German-Jordanian development co-operation in supporting these reforms.

2 Protecting the Poor and Near-Poor

2.1 Poverty Reduction and Social Protection

In its 2000/ 2001 *World Development Report*, which addresses poverty reduction, *The World Bank* mentions three factors that can cause poverty among households.[6] Households are likely to be poor if they suffer from: (i) a *low endowment with assets* (physical, financial, human, social and / or other); (ii) *low returns to assets*; and / or (iii) a *high volatility of returns to assets*. Each single factor can lead to poverty; however, the factors are closely interrelated and often combined, which makes it even more difficult for the poor to escape the ‘poverty trap’.

To reduce the number of households living in poverty, efforts have to be directed towards each of the factors: (i) The assets of the poor should be increased by *improving their opportunities* through better education, better and more efficient health care or the redistribution of land or other assets, for example. (ii) Returns to assets should be increased by *enhancing the facilities* for the poor: fair access to institutions, creation of labour-intensive employment opportunities, political participation, etc. (iii) Volatility of returns to assets should be reduced by *creating securities* for the poor, e.g. by reducing their vulnerability by means of improvements in social protection.

Social protection systems are subsidiary systems of support that help households to “*manage the risks faced in life and cushion their consequences*”.[7] Social protection systems can contribute to poverty reduction in three ways: (i) They lift individuals out of poverty by ensuring a minimum living standard through transfers (e.g. social assistance). (ii) They prevent households from falling below the poverty line by reducing the negative consequences of risk occurrences. (iii) They reduce the vulnerability of households to risks and the insecurity households perceive with respect to the future. Hence social protection systems also promote households’ long-term planning capacities and their willingness to take new risks by encouraging investment in productive capital.

2.2 Risks and Vulnerability

Though differing in degree, literally every human being is exposed to risks[8]: *natural* risks (e.g. droughts, floods, rainfall), *economic* risks (e.g. un-

6 Cf. IBRD (2000a).

7 BMZ (1999), p. 5. Cf. also Holzmann / Jørgensen (2000); Del Conte (2000), p. 4.

8 Cf. Holzmann / Jørgensen (2000); IBRD (2000a), p. 136. For other classifications of risks cf. Sebstad / Cohen (2000), pp. 34 - 43; Lund / Srinivas (1999), pp. 31 - 37; Wright (1999).

employment, business failure / bankruptcy, harvest failure), *social* risks (e.g. health risks and life-cycle risks like old-age, disability, death), *political* risks (e.g. wars, inflation, transition costs and economic reforms) or *environmental* risks (e.g. pollution, deforestation). Some of these risks are *co-variant* - they affect all members of a group, community or even nation at a time; others are *idiosyncratic* - the likelihood of their occurrence is related to personal characteristics of individuals only.

But all risks can result in a temporary or permanent decline in the living standard of those affected: This may be due to (i) loss of income (e.g. in case of unemployment), (ii) a rise in expenditures (e.g. in case of an increasing number of dependants) or (iii) a combination of both (e.g. in case of chronic illness and work disability).

2.3 Vulnerability and Poverty

Vulnerable households are not necessarily poor. Poverty and vulnerability differ in conceptually different terms. Poverty is a static concept measured in terms of levels of income, consumption or welfare, while vulnerability is a more dynamic concept, which encompasses the likeliness of a household to fall into poverty as a result of risk occurrence. The extent to which households are vulnerable to risks differs from one household to another and depends on two factors not including income levels: (i) the likelihood that households will be hit by risks and (ii) their individual access to social protection means and endowment with financial, physical, human and social assets that can be used to soften the negative effects of risks. The function of assets in risk management is threefold: they can be sold to cover emergency spending, they can diversify the income of households (e.g. from capital to labour income) and they constitute security for institutions providing loans to a household.[9]

Nevertheless, low-income groups are usually more vulnerable to risks than high-income groups: (i) they are exposed to a higher number of risks and a higher probability of risk occurrence than higher-income groups. This fact is due to their inferior housing and living conditions (which, for example, increase the likelihood of disease) and their lower education levels (trained workers are more likely to find employment). (ii) Low-income groups tend to be unable to save or accumulate physical and human assets. Moreover, they are more likely to fall into poverty when their income decreases or spending increases, because their real income is already only slightly above the poverty line.

As a consequence, low-income households also face difficulties in generating income: they not only tend to be more vulnerable to risks but are also more averse to risks and less willing to engage in high-risk high-return activities, which could lead them out of poverty: poverty reinforces vulnerability and vulnerability perpetuates poverty.[10]

2.4 Risk Management and Social Protection

In response to vulnerability, individuals, households and communities have developed elaborate risk management mechanisms. These can be categorised along two lines (see Table 1): First, risk management strategies can be distinguished according to their objectives: (i) Risk reduction or prevention aims at reducing the likelihood that a risk will occur; (ii) risk mitigation focuses on reducing the impact of a negative shock; and (iii) risk-coping comprises all actions taken in response to a shock and aims at cushioning the impact of the shock (risk relief).

Second, risk management mechanisms can be categorised as to the providing institution: Some are based on the action of individual households or self-help groups, others are provided publicly or by the market. Which strategy is the most adequate is a question that varies from risk to risk. In most cases a

9 Cf. Morduch (1999), p. 202; Sebstad / Cohen (2000), pp. 9 - 12.

10 Cf. Del Conte (2000), p. 4; Mosley (2001), p. 51.

Table 1: Risk Management Mechanisms

	individual and household	group-based	market-based	publicly provided
Risk prevention (risk reduction)	- hygiene & other preventive health practices - migration - more secure income sources	- collective action for infrastructure, dikes & terraces - common property resource management	- in-service training - financial market literacy - labour standards at working place	- sound macro-economic policy - environmental policy - education & training policy - public health policy - infrastructure (dams, roads) - active labour market policies
Risk mitigation (provision for risks)				
Risk diversification	- crop & plot diversification - income source diversification - investment in physical & human capital	- occupational associations - rotating savings and credit associations	- multiple assets: e.g. savings accounts in financial institutions - micro-finance	- asset transfers - agricultural extension - liberalised trade - protection of property rights
Risk pooling (insurance)	- marriage & extended family - informal insurance - buffer stocks	- investment in social capital (networks, associations, rituals, reciprocal gift -giving) - mutual insurance	- old age annuities - accident, disability & other insurance	- pension systems - mandated insurance for unemployment, illness, disability & other risks
Risk coping (dealing with risks *ex post*)	- sale of assets - loans from moneylenders - child labour - reduced food consumption - seasonal or temporary migration	- transfers from networks of mutual support	- sale of financial assets - loans from financial institutions	- social assistance - public works - subsidies - social funds - cash transfers - disaster relief

Source: Holzmann / Jorgensen (2000), p. 17.

mix of instruments is the most promising approach - where different risk management strategies (reduction, mitigation and coping) and different provider institutions are involved. Furthermore, one factor crucial to the success of social risk management is that it take place in a sound and consistent policy framework with respect to, e.g., macroeconomic, educational and environmental policy - creating possibilities and enhancing facilities for the poor.

Despite the variety of potential strategies, the ability of the poor and near-poor to manage their own risks is limited. Hence social protection is of crucial importance for them as a means of providing support for their risk management efforts. But in most developing countries the operating formal social protection systems are not accessible for low-income earners: (i) most of the poor and almost all of the near-poor are not formally employed and thus not covered by social insurance schemes (which are in general based on formal employment). (ii) Market-based systems like private insurance are often not affordable for the poor and near-poor. (iii) Social assistance is often insufficient in terms of scope and scale.

Hence the poor and near-poor often rely on household- or community-based risk management strategies such as savings and credit associations, 'informal insurance' (based on reciprocated mutual support between relatives, neighbours, colleagues or friends) or non-reciprocated support based on borrowing or granting.[11] For the risk management of the poor and near-poor, such non-formalised social protection systems provide essential (and often their only) support, but their capacities are often limited in both, scale and scope, and they are highly susceptible to economic stress. They are not comprehensive, sustainable or even reliable. They therefore cannot fill gaps in formal social protection systems.

2.5 Extending Social Protection to the Poor and Near-Poor

To improve the social protection of the poor and near-poor, three basic options should be taken into consideration:[12] (i) extending and reforming the existing mandatory social insurance; (ii) broadening the outreach of social assistance and (iii) building voluntary contributory schemes designed to meet the special needs of the poor and near-poor. A mix of strategies is once again the most promising approach, because the poor and near-poor have very different needs and capacities.

In theory, the *extension of mandatory social insurance* to all households is the first-best option. First, its compulsory character ensures social protection for everyone.[13] Second, mandatory schemes overcome the problem of adverse selection. Third, social insurance allows for personal re-distribution and thus guarantees a minimum level of benefits. Fourth, implementation of new systems entails high initial costs, e.g. for establishing administrative bodies.

However, a number of practical problems are associated with the extension of social insurance:[14] (i) the poor and near-poor usually lack a good lobby or self-organisation. Hence little pressure is put on the state to extend the coverage of social insurance in favour of this group. At present, the representatives of formal labour and middle and higher income classes often oppose any change in eligibility criteria for social security, fearing that such changes might undermine the privileges of the groups currently covered. (ii) Due to the scarcity of financial resources, governments are often reluctant to broaden social security systems. (iii) Administrations of social security systems are often unable to deal with the special circumstances of informal sector workers. (iv) The problem of non-compliance is difficult to overcome.

Tax-based social assistance can be targeted to the most needy of a society and benefits are not linked to contribution payments. Social assistance is the only income source for many people who cannot help and manage their risks themselves. Most developing countries have social assistance systems, but they are often limited in scale and scope and do not reach the target group effectively. The main constraints hampering the promotion of social assistance are insufficient administrative capacities, limited financial resources and a lack of acceptance among taxpayers.

Voluntary contributory schemes are a third option to extend social protection provisions to the near-poor.

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11 Cf. Del Conte (2000), p. 5; Morduch (1999); Wright (1999); Lund / Srinivas (1999), pp. 54 and 68 - 71.

12 Cf. van Ginneken (2000). Cf. also Beattie (2000), p. 135.

13 However, the poor are not able to contribute to social insurance schemes. To ensure the coverage of all citizens, their contributions have to be taken over or by the state or by the group of the insured.

14 Cf. Beattie (2000), pp. 135 - 137.

They can be designed to meet the special needs and capacities of this target group. Often they are the only promising option in the short run. However, they can rarely provide comprehensive social protection, either in scale or in scope. In addition, contribution-based systems can cover only households capable of spending at least part of their income for their own protection. In other words: voluntary contributory schemes may be an adequate instrument to cater for the needs of the near-poor, but not to meet the capacities of the poor.

2.6 Micro-Insurance

Micro-insurance is *one way* to cover the currently unprotected near-poor on the basis of voluntary contributory schemes. Micro-insurance is a rather new concept: like micro-credit and micro-saving, micro-insurance is intended to serve the needs of a specific social group: the near-poor who are not covered by formal social protection systems but could afford to pay for their own social protection. In that it addresses risk management, micro-insurance can be seen as a straightforward supplement to existing micro-finance products.

For the purpose of this study, micro-insurance schemes are defined as "*essentially risk-pooling tools designed for the benefit and affordability of low-income persons*."[15] According to this definition, 'insurance' is a risk-pooling financial instrument based on contributions, a large number of participants and the sharing of risks between those adversely affected by a covered risk and those not affected. The affix 'micro-' indicates that the contribution payments are smaller than the premiums of ordinary commercial insurance contracts and affordable for the near-poor as well as that the product meets this target group's special needs as to suppliers, covered risks, transaction formalities etc. In turn, of course, benefits are limited with respect to volume and number of covered risks.

Micro-insurance is thus a broad concept; it can be designed in many different ways:

— The product can cover all sorts of risks.

— It can be offered by any government, private-sector or non-government institution, or even by an alliance of several different institutions.

— It can be offered in combination with other financial services (e.g. micro-credit).

— Enrolment may be mandatory or voluntary.

But the design must always take the needs and capacities of the targeted group and the given institutional framework (e.g. availability and capacities of potential actors) into account.

The objective of micro-insurance is poverty eradication. It approaches this aim in two different ways: by reducing the risks and by improving the opportunities of the near-poor.[16] First, it stabilises their living standard and prevents them from falling below the poverty- line and adding up to the number of those that are already poor and find it very difficult to escape from poverty again. Second, and perhaps more important, micro-insurance encourages the near-poor to take measures to escape poverty in the long term: near-poor households usually spend all of their spare income to save for future crises. When protected against the most serious social risks, some of this saving is set free for alternative higher-yield investments. Moreover, a household will in this case be less averse to take new (economic) risks related to income-generating activities like starting up a business. Consequently, micro-insurance facilitates

15 McCord (2001b), p. 25. This definition has replaced older and less precise definitions in large parts of literature; cf. also Beattie (2000); Brown / Green / Lindquist (2000) , pp. 2 - 3; Brown (2001b), p. 12; McCord / Isern / Hashemi (2001); McCord / Mutesasira (2000a); McCord / Mutsasira (2000b). Only two years ago, Brown / Churchill (1999) were still referring to micro-insurance as any kind of *'insurance for low-income households'*. According to other authors, micro-insurance refers exclusively to the so-called partner-agent model, one of three organisational models which will be explained below; cf. e.g. Dror / Jacquiers (1999). The World Labour Report 2000 refers to the 'mutual insurance model' only: It considers "*help being extended to those in need*", with the group of insured deciding "*on the size and source of the contributions*" and the collection and investment of contributions to be managed by the insured to be constitutive for micro-insurance; cf. ILO (2000).

16 Cf. Del Conte (2000), p. 4.

self-help activities of low-income households, reduces their vulnerability through income diversification and fosters the accumulation of productive assets.

Micro-insurance enables people to better manage their risks and bridges part of the gap left open by formal protection systems. However, it is certainly not a panacea: insurance is only one solution for reducing the risks of the near-poor.[17] It is limited in scope and scale and can rarely cover the whole target group. For many risks, for example, micro-saving might be more appropriate.

In the following, four important issues are discussed, which have to be taken into consideration when a micro-insurance scheme is established: (i) the framework conditions, (ii) potential demand, (iii) the design of the insurance product and (iv) the organisational shape of the scheme and the actors involved. These same issues will be discussed later below (Chapter 6) with reference to Jordan.

It must be stressed that micro-insurance is a rather new concept. Most of the findings presented here are based on experience from existing micro-insurance systems. However, since most micro-insurance schemes have been established only recently, the results are only preliminary. Moreover, no research has been published that discusses the micro-insurance approach from a more theoretical point of view.

Framework Conditions

Insurance is a sophisticated business and depends on favourable framework conditions such as, for example, stability of the political and economic givens, modest inflation, opportunities to invest reserves, adequate insurance regulation, socio-cultural acceptance of the insurance business and effective judicial regulations, institutions and procedures or other kinds of mediation instruments. Some of these conditions are self-evident, others are in need of explanation:

17 Cf. Brown / McCord (2001) , p. 2.

High inflation may pose serious problems for micro-insurance: Insurance schemes promise future benefits for present-time contribution payments. For the time-span in-between, however, insurers and policyholders are exposed to inflationary risks. For policyholders, for example, inflation risks are high for contracts that for provide for fixed nominal sums of benefit payments (as is often the case with life insurance policies). The insurer, in turn, may incur losses with tangible benefits (e.g. reimbursement of costs for health care or damaged property) if he underestimates necessary contribution levels. Insurance policies should therefore possibly include provisions to offset any risk of inflation.

A moderate inflation rate is crucial in that in this case the risks associated are acute for insured and insurer alike: Long-term policies with nominally fixed benefits, e.g. life insurance, lose their real value for policyholders when inflation is high. The insurer, in turn, is at risk of underestimating contributions, a factor particularly relevant for medical insurance.

Investment is another crucial condition for any insurance business. To increase the efficiency of life and disability insurance schemes (not health insurance), annual surpluses should be invested. Hence an insurer's performance depends on returns on investment, on the one hand, and on underwriting results, on the other hand.[18] This requires capital markets that function efficiently and insurers that have access to them. Moreover, legal and economic conditions must permit investments in both national and foreign markets to diversify risks.

Finally, regulatory issues concerning capital requirements and the role of the insurer are of special importance for micro-insurance.[19] (i) Minimum capital requirements generally aim at encouraging financial stability; however, if capital requirements

18 Cf. Brown / Churchill (1999), p. 46. Underwriting profit means the assessment of the relation between premiums and claims. It reflects the insurer's ability to calculate insurance products.

19 Cf. Bennet / Creese / Moasch (1998), pp. 52ff.; Brown (2001b), p. 23; Loewe (2000a), p. 68; Lund / Srinivas (1999), p. 66.

are set too high, insurers are unwilling to offer low-premium policies, since only a large business volume can ensure a sufficient return on investment. Also, they may impose significant barriers to market entrants willing to offer micro-insurance products. (ii) The insurers' ability to offer micro-insurance is often limited as a result of overly rigid insurance-market regulation: sometimes, for example, the integration of insurance products with other financial services (credit, savings) is restricted or the conditions for selling insurance contracts are too difficult to be met by micro-finance or other non-governmental institutions.

Demand

The demand of households is, of course, the most important condition of micro-insurance. Before a micro-insurance project is built up, intense research must be carried out to find out

— what kind of households are *vulnerable* to what kind of risks,
— whether households are *aware* of their risks,
— whether they are willing to provide for the future and *interested* in being supported in their risk management efforts,
— whether they would *understand* and *accept* the concept of insurance and consider insurance the most appropriate social protection strategy for them,
— whether they are *willingness* and *able* to contribute to micro-insurance on a regular basis.

Product Design

Insurance can be an efficient risk management strategy for all risks characterised by high uncertainty and high potential losses. Outstanding examples include the early death or work disability of a family's main provider. By pooling the risks of a large group of insured, it is possible for households and individuals to exchange uncertain high losses in the future for calculable and regular contribution payments in the present.

However, before a micro-insurance scheme is established to cover a specific risks, it should be clear (i) that there is demand for the product; (ii) that insurance is a technically feasible solution to protect against the risk involved; (iii) that insurance is the most adequate solution (savings products are sometimes more appropriate for risks with low potential losses or for certain events such as, for example, marriage or children's education) and (iv) that insurance can be financed.[20]

Recent experience[21] suggests that at least four risks are insurable under certain conditions: early death, work disability, health care and property damage.

Life insurance is the simplest insurance line.[22] It can be offered as term life insurance, permanent life insurance and endowment insurance: (i) Term life insurance is valid for a defined period of time, the term. The benefit is only paid out to the survivors if the death of the insured occurs during the term. (ii) Permanent life insurance is valid until the death of the policyholder and includes a savings component. (iii) Endowment life insurance combines the term and the savings components. In case the policyholder dies within the term, the sum insured is paid out; if not, he or she withdraws the savings plus interest when the term is over.

The design of term life insurance can be applied for permanent and total *work disability insurance* as well. However, if the policy includes permanent and partial work disability, information costs increase. Temporary work-disability insurance that provides continued income payments in case of illness or injury is one of the most complex insurance products. The assessment of income losses for self-employed persons and potential fraud creates additional risks for the provider.

20 Cf. Brown / Green / Lindquist (2000), pp. 5 - 7; Brown / McCord (2000), p. 3; Del Conte (2000), pp. 12 - 14; Lund / Srinivas (1999), pp. 75 - 79.

21 Cf. Del Conte (2000), pp. 7 and 12; Lund / Srinivas (1999), pp. 47 - 48.

22 Cf. Brown / Churchill (1999), pp. 4 - 5, 16 - 18 and 25 - 29; Del Conte (2000), pp. 7 - 9; Roth (2001), p. 48.

Benefits for life and disability insurance are lump-sum payments. Monthly pension schemes over a non-defined period are in principle possible but require special know-how and a stable insurance scheme making it possible to pool risks across a sufficient number of insured parties. These conditions are usually not given for micro-insurance schemes.

Health insurance can theoretically cover all costs linked to health care services, but practically all micro-insurance schemes limit benefits. Health insurance is a much more complicated product than life and work-disability insurance. There are three reasons for this: (i) To calculate premiums, the insurer needs detailed information about the risk profiles and costs of health care services. (ii) Voluntary health insurance attracts bad risks, i.e. those who are more likely to need medical treatment. Hence the minimum insurable unit should be a household or family. (iii) Claim abuses by both, policyholders and health care providers, require effective control mechanisms. For these reasons, none of the operating health micro-insurance has thus far been able to develop complete financial sustainability: all schemes depend on continued subsidisation and have been unable to reach the poorest households.[23]

Property insurance usually covers the damage, loss and/or theft of assets for a limited period of time. Property insurance is more risky and more complex to administer for the insurer than life insurance because the value of assets is difficult to determine and households can easily make false claims or neglect their insured assets.

Most *other risks* cannot be insured through micro-insurance or, at least, are very difficult to cover. This is especially true for unemployment, an important risk for this study's target group. Information problems such as adverse selection and moral hazard make it impossible to insure the risk of unemployment through any other than mandatory schemes.

Organisation and Actors

Any insurance business involves four groups of tasks:[24]

— *Product design* includes the development of the product (decision on coverage, premiums and conditions), testing and pricing.

— *Product management* (risk management, financial management, monitoring) includes final verification of claims, settlement of claims, investment of funds and pooling of risks among those insured by the scheme as well as by other schemes of the supplier (possibly through re-insurance).

— *Product sale* includes marketing of the policies (advertising, promotion, delivery), verification of clients (underwriting, initial screening and monitoring of the clients) and processing of insurance applications.

— *Product servicing*, finally, includes all ongoing contacts with policyholders: collection of primes, management and payment of claims, and transfer of benefits.

Insurance is normally provided by commercial companies (private insurance) or by government agencies (social insurance). Both offer insurance contracts not attuned to the specific needs and capacities of low-income groups. Social insurance is usually linked to formal employment and commercial insurance is too expensive. Neither the state nor the private sector offers low-premium low-benefit insurance contracts that the near-poor would demand. The reasons are twofold[25] and have to be taken into consideration when micro-insurance schemes are designed:

First, the insurer faces more *information asymmetries* when dealing with low-income informal sector employees: It is much easier to obtain any necessary information about the risk-profile of a formal sector worker registered with the government administra-

23 Cf. Bennet / Creese / Moasch (1998); Brown / Churchill (1999), pp. 47 - 48 and 51 - 58; Brown / McCord (2001), p 3; McCord (2001b); ILO / PAHO (1999), p. 20 and 23.

24 Cf. Brown / Churchill (2000), pp. 21 - 22; Brown / McCord (2001), p. 11.

25 Cf. Freiberg-Strauß (1999).

tion. Moreover, low-income earners are more likely to be hit by social shocks because of their hazardous living conditions and more likely to behave carelessly once they are insured *(moral hazard)* or to claim unjustified benefits *(fraud)*.

Second, *fixed per capita costs* do not allow for small-premium insurance contracts: the costs of the above-mentioned administration and transaction tasks do not depend on the amount insured. The sum per policyholder is constant and may even exceed collected premiums when these are low. Hence micro-insurance cannot be run by commercial insurers alone.[26]

Basically, four organisational models[27] are conceivable: (i) the 'full-service insurance model', (ii) the 'partner-agent model', (iii) the 'community-based' or 'mutual insurance model' and (iv) – for health micro-insurance - the 'provider insurance model'. The decision for one model or another depends on many factors, such as, for example, the risk to be covered, the framework conditions, the institutional landscape (institutions operating in the field and willing to participate) and the trust of potential clients in the institutions involved.

Each of these models involves different actors and a different division of the four above-mentioned groups of tasks among them. The criteria[28] used to decide on the involvement of institutions within these models and their respective roles should be

— minimising administration and transaction costs,
— overcoming information asymmetries,
— creating confidence among the target group,
— investing funds adequately (at high yields and low risks),
— pooling risks sufficiently among a high number of insured parties and
— reducing adverse incentives due to contradictory interests of actors involved.

The *full-service insurance model* involves only one actor, who is solely responsible for all activities, product design, sales and servicing (see Figure 1). Obviously, the full-service insurer needs a very high capacity to deal with the problems described above. In theory, his role could be assumed by public, private or non-governmental institutions or, in some cases, by micro-finance institutions that have experience in the marketing of financial products and are capable of keeping track of detailed information on the client.

Commercial private insurers and centralised government agencies, which, however, are as a rule far distant in social and spatial terms from the low-income groups themselves. Products offered by such institutions usually do not address the needs of low-income households - they are too expensive and too difficult to understand. Moreover, these institutions, lacking direct contact with the target group, are in most cases unable to overcome problems related to asymmetric information (adverse selection, moral hazard, fraud). Finally, low-income groups often shy away from direct relationships with insurance companies, because (i) they are not familiar with the concept of micro-insurance and do not expect insurance companies to offer products fitting their needs; (ii) insurance companies are often difficult to access for them; and (iii) they are suspicious of insurance companies and fear being cheated.

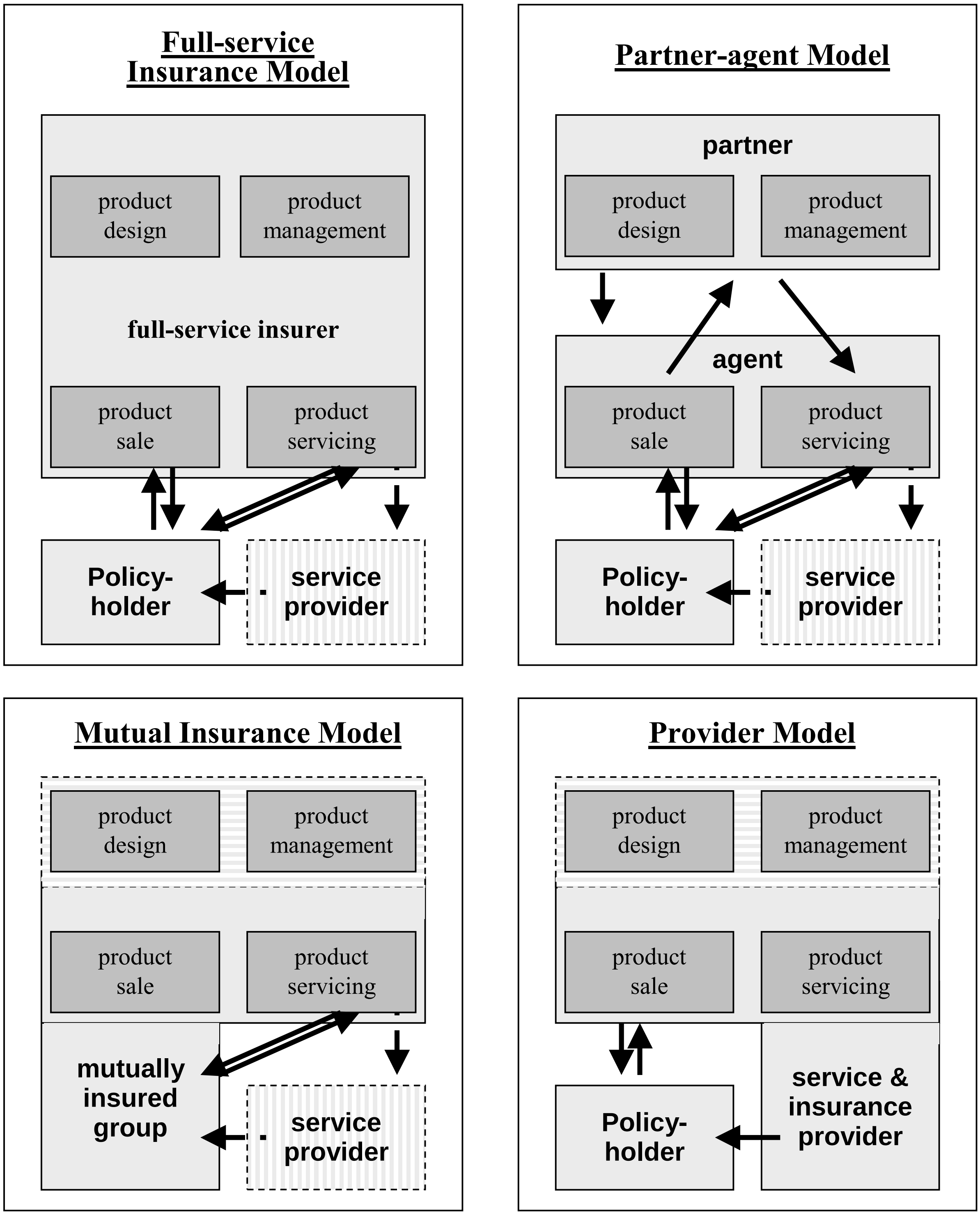
Micro-finance institutions and non-governmental institutions, on the other hand, have intense contacts with the target group and thus do not face these problems. But they are usually unable to pool risks among a sufficient number of insured parties and lack the actuarial and managerial capacities required

26 Cf. Brown / McCord (2001), pp. 4 and 10.

27 Cf. Bennet / Creese / Moasch (1998), pp. 23 and 81ff.; Brown / Churchill (2000), pp. 24 and 50 – 53; Del Conte (2000), p. 8ff.; Lund / Srinivas (1999), pp. 69ff.; McCord (2001b), pp. 26ff.; Mosley (2001), p. 26; Wright (1999), pp. 5 - 8.

28 Cf. Beattie (2000); Del Conte (2000), p. 12; Lund / Srinivas (1999), p. 55 – 57; McCord (2001b), p. 32 – 33 and 36 – 37; Morduch (1999), p. 197; Mosley (2001), p. 52 and 58.

Figure 1: Organisational Models of Micro-Insurance



to develop and run micro insurance and to manage access to financial markets to invest reserves.[29]

It is against this background that the *partner-agent-model* has been developed. It seeks to overcome the difficulties of the full-insurance model by interposing an intermediary between the insurer and the policyholder.[30] The four tasks involved are divided between the intermediary – the 'agent' - and the insurer – the 'partner' (see Figure 1).

The role of the agent is crucial in this model. It can be played by non-governmental organisations, unions, co-operatives, micro-finance institutions or solidarity groups with strong cohesion, with the partner assuming the task of to designing and managing the product.
The division of responsibilities, benefits and costs allows each actor to focus on doing what he can do better than the other.[31] The agent incurs only limited costs in marketing the product, collecting premiums, monitoring clients, managing claims and paying out benefits, since it already has well-established relations with the target group. He knows potential clients well, and thus information asymmetries are weak. Moreover, decentralised organisations have the appropriate organisational structures and the know-how needed to deal with low-income groups.

However, such organisations often lack the capacity to design an insurance product, this being a highly demanding task. As a consequence, the product design should be provided by a private or public insurance company – the partner. Such companies have the necessary actuarial know-how as well as the capacities needed to pool risks and invest funds.

Micro-insurance can also be organised as *community-based* or *mutual insurance*. In this model the insured and the insurer are identical, i.e. the insured pool their risks within a self-help group. This group forms a mutual insurance association and performs all four groups of tasks: product design, scheme management, prime collection and claim settlement. Mutual insurance is the least formalised of the four potential models of micro-insurance, but also the least reliable and secure: often it is based on oral or implicit contracts between its members, and this may make legal enforcement of claims difficult. Moreover, the cohesion of self-help groups undergoes significant fluctuations and their capacities to price products adequately and pool risks sufficiently are very limited.[32]

Additionally, health insurance can be offered through the so-called *provider model*, where a health care provider (e.g. a hospital or a rural health clinic) offers insurance contracts at reasonable prices. Here the main problem is that the insuring provider is in a difficult situation marked by conflicting interests: on the one hand, he is interested in maximising the volume of health care sales. On the other hand, he has to control costs so as to safeguard the financial viability of the insurance scheme.[33]

29 Cf. Brown / Churchill (2000), pp. 16 - 17 and 54; Musau (1999), pp. 18 - 19 and 25.

30 Cf. Brown / McCord (2000), p. 8; Lund / Srinivas (1999), pp. 48 - 49 and 67.

31 Cf. Del Conte (2000), p. 5; Lund / Srinivas (1999), p. 55.

32 Cf. Brown / McCord (2000), p. 8.

33 Cf. McCord (2001b), pp. 31, 33 and 35.

Part II: Analysis of the Present Situation

3 Risks and Urban Poverty in Jordan

Widespread poverty is Jordan's major social problem and it is correlated with the occurrence of social shocks. While the spread of poverty is the result of several *macro-economic factors* (high unemployment, income inequality, high demographic growth, low labour force participation), social risks like, e.g. illness and the work disability, old age and death of the main provider, play an important role in initiating poverty at the *micro-level of the individual household*.

To illustrate these findings by empirical evidence, this chapter attempts to assess the *extent of poverty* in Jordan (3.1), to determine the *interdependence of poverty and unfavourable factors at the macro-level* (3.2) and to sketch a *profile of poverty*, i.e. for identifying social groups that are disproportionately affected by poverty (3.3). This poverty profile permits conclusions on the predominate *risks initiating urban poverty at the micro-level* as well as some preliminary speculations on structural *deficiencies at the meso-level*, i.e. gaps in Jordan's social protection system that will be verified in Chapter 4.

3.1 The Extent of Urban Poverty

It is difficult to determine the exact extent of poverty. In the present study poverty is defined as absolute income poverty. Hence the extent of poverty is given by the number of households with an income below the subsistence level (see Box 1).

The estimates of different Jordanian and international organisations diverge widely, although they use almost the same national poverty line (see Table B7 in Annex B). A recent *World Bank* report[34] suggests a poverty rate of 11.7 %, while a study of the independent Norwegian *FAFO institute*[35] indicates an absolute poverty rate of 27 %. Both estimates are based on surveys carried out by the *Jordanian Department of Statistics* (DOS). However, their methodology of computing poverty rates is weak: In the first place, they count the incidence of poverty among households – not individuals. In the second, they use one single poverty line for the whole of Jordan, and this does not take into consideration that the costs of living differ greatly between governorates as well as between rural and urban areas.

The most reliable study found 23 % of households and 31 % of individuals to be poor.[36] It was carried out by DOS and the *Ministry of Social Development* in co-operation with UNDP and has not been published yet. It takes regional price differentials into consideration and computes the extent of poverty by household and individual. According to this study, the extent of poverty has increased over the last ten years, while the above-mentioned *World Bank* report states that poverty rates dropped until 1997, rising again only after that year.[37]

As for the intensity of poverty, the *World Bank* states that parameters declined between 1992 and 1997: While in 1992 the income of the average poor was 24.9 % below the poverty line, the shortfall was only 21.7 % in 1997.[38]

Poverty is prevalent in both urban and rural areas. It is difficult to draw a direct comparison because of differing price levels.[39] According to UNDP, the extent of poverty is 29 % in urban and 37 % in rural

34 Cf. IBRD (1999e), p. 7.

35 Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998).

36 Cf. Bakir (2001), p. 4.

37 Cf. IBRD (1999e), p. ii. The *World Bank* reports decreasing poverty rates between 1992 and 1997 despite a marked fall in average income levels. It argues that the reduction in poverty during the 1990s is due to a reduction in inequality of income distribution.

38 Our calculations, based on IBRD (1999e), p. 7.

39 For example, housing is much more expensive in the big cities like Amman, Irbid or Zarqa than in rural areas. Moreover, many rural households supply themselves with water or food.

Box 1: Assessing the Extent of Poverty
This study defines poverty as income poverty. Other definitions of poverty (that follow the basic human needs approach and take an insufficient supply of infrastructure, nutrition, drinking water, education, housing along with low income levels into account) are not considered here. Such a **purely financial definition of poverty** is usually not acceptable, though it can be justified in the context of social protection, where the major aim of policy is to smooth out income and expenditure. It is important to draw a clear distinction between the terms relative, absolute, and subjective poverty: **Subjective poverty** is given when a person considers himself poor. A person is poor in the sense of **relative poverty** when her or his income (or spending) is inferior by a certain percentage (usually 25%) to the country's average per capita income (or spending). **Absolute poverty** means that a person is unable to cover the spending required for her or his most basic consumption needs. The **extent of poverty** in a country is given by the share of the poor of the country's total population (**head-count rate**). This ratio can be expressed by household or by individual. Both ways of counting have their advantages: It is easier to determine the income or consumption of an entire **household**, though **individual** counting is more precise. The latter usually ends up in higher head-count rates, because poor families usually have more members. The **depth of poverty** is measured by the **poverty gap index**, which captures the percentage shortfall below the poverty line for the whole population. The **absolute magnitude of the total poverty gap** amounts to the money needed to completely erase poverty, if it were perfectly targeted and each poor person were given exactly the value of his or her income shortfall below the poverty line. The intensity of poverty can be derived from the depth of poverty by dividing the poverty gap index by the total number of the poor. It describes the percentage shortfall of the average poor below the poverty line.
Source: Loewe (2000a), p. 10.

areas.[40] In absolute terms, however, 75 % of the poor live in urban areas, a fact due to the country's high urbanisation rate (78 %). A third of the poor live in urban Amman alone.

3.2 The Causes of Urban Poverty

At the macro-level, the high national and urban poverty rates are mainly the result of widespread unemployment and underemployment, low and decreasing wages, income inequality, high population growth and low labour force participation.

This sub-chapter outlines the magnitude of these problems and discusses their causal relation to poverty. There is no need to stress that higher economic growth and a more even distribution of incomes and assets would do much to reduce the problem of poverty in Jordan. Higher growth rates would create additional demand and thus enlarge business opportunities and create additional employment. Jordan's recent economic development is highlighted in Box 2.

The Lack of Productive Employment

Widespread unemployment and underemployment (see Box 3) are two of the most crucial causes of poverty in Jordan. In 2000 nearly one third (32 %) of the labour force was unemployed (14.4 %) or underemployed (17.6 %).[41] Unemployment in Jordan is of a structural, not cyclical, nature. Long-term unemployment is widespread: one quarter of the unemployed have been looking for work for more than two years.

High unemployment rates in Jordan result on the one hand from low economic and high demographic growth rates. Per capita income growth was

40 Cf. Bakir (2001), p. 5.

41 See Tables B10, B11 and B12 in Annex B.

Box 2: Jordan's Economic Development and Transition Process during the Last Decade

In 1989 Jordan was hit by two currency crises and a debt service default, which marked the starting point of the country's transition process. The crises were due to an intolerable balance of payment deficit and a huge public debt burden. Over decades, Jordan had followed a rentierist mode of development: National income levels were highly dependent on remittances from Jordanian migrant workers in the Gulf and official development assistance from Western and Gulf oil countries. These flows of income decreased substantially in the mid-1980s because of eroding oil prices in the world market. Jordan, unwilling to adjust its fiscal and economic policy, used international borrowing at commercial rates to finance extensive government spending. The 1989 currency devaluation and subsequent inflation were consequences of this policy. Low-income groups in particular were negatively affected by the declining purchasing power of their savings as well as by rising prices for consumer goods.

With the financial support of the *International Monetary Fund* (IMF) and following debt rescheduling by the *Paris* and *London Clubs* of creditors, Jordan managed to regain macroeconomic stability.

In 1992 a structural adjustment programme was launched. It aimed at raising competitiveness for an export-led growth strategy. Inefficient state-owned enterprises were set to be privatised, budget expenditures to be cut and the trade regime to be deregulated. Most of the planned institutional and legislative reform measures remained on paper only and implementation has clearly lagged behind. The Jordanian authorities introduced a general sales tax (to be converted into a full-fledged value-added-tax in 2001) and an investment promotion law, abolished discrimination against foreign investors and made the *Amman Financial Market* more transparent. But bureaucrats at all levels possess great discretionary power and continue to make heavy use of personal relationships (*wasṭa*), a practice that entails individual gains but losses in social welfare. High rates of economic growth materialised for a short period, but they were based on large capital inflows from Jordanians returning from Kuwait and other Gulf countries.

As these transitory capital inflows passed by, the postponed structural measures and the disappearance of Jordan's main trading partner, Iraq, resulted in a sudden fall of GDP growth rates. In combination with persistently high population growth rates of about 3 % p.a., low national growth rates even resulted in negative per capita growth rates. The trade deficit remains high, because Jordan's strong dependence on imports has not been overcome and the volume of exports has failed to rise. The country continues to depend on the export of mineral resources. As a result, unemployment and poverty have stagnated and even started to rise again.

Jordan's economy depends strongly on the economic development in its neighbouring countries and the world market price of oil. The ups and downs of the Middle East peace process decide on the development of the tourism sector, the possibility to attract foreign direct investments, the volume of external trade and access to Mediterranean ports. With its scarcity of exploitable resources, Jordan has only limited prospects of growth in the traditional export sectors such as phosphate, potash and some derivatives. The major natural constraint, however, is water scarcity.

The new King, Abdallah, has shown a strong commitment to economic reforms since the beginning of his reign. Three major steps of Jordan's new reform drive are accession to the World Trade Organisation, participation in the EUROMED Agreement, which will lead to free trade for manufactured goods with the European Union, and a recently signed free trade agreement with the United States. After long periods of hesitation, the privatisation process finally accelerated in 1999, when stocks of strategic enterprises were sold to foreign investors. The government began selling shares of the then state-owned Jordan Investment Corporation, in this way stimulating trading on the Amman stock market. The Palace clearly emphasises the development of an information-technology industry and is promoting the tourism sector.

Source: IBRD (1999b); Schlumberger (2000b)

Box 3: Unemployment and Underemployment

The **unemployment** rate is defined as the percentage of persons in the labour force who are not employed but are actively looking for work.

Effective unemployment, however, is often higher. Apart from the visibly unemployed, there is **invisible unemployment**, consisting mainly of discouraged potential workers. They are neither employed nor actively looking for jobs: Persons of working age who have given up seeking employment.

Underemployment can also be distinguished in terms of visible and invisible underemployment. Persons not able to work as many hours as they wish are **visibly underemployed**. Persons working at a job that does not fully utilise their skills are **invisibly underemployed**.

negative for several years and the economy was unable to provide the required number of additional jobs that a rapidly growing population calls for.

On the other hand, the lack of productive employment is the result of a misguided education and training policy. On the whole, Jordanians tend to be either without any vocational training or overqualified. Many have university degrees, but the country lacks skilled workers. Unemployment rates are highest among labour market entrants (people under the age of 30) as well as among university graduates (Table B12 in Annex B). An above-average incidence of unemployment is found among women - especially unmarried and divorced women.

At the macro-level, the lack of productive employment is a severe constraint for Jordan's economy, because productive resources are thus unable to be fully utilised. Moreover, the oversupply of labour depresses real wages. Many of the poor accept whatever employment they can get, notwithstanding long working hours, low output and low rates of return to income.[42]

Income Inequality

Uneven distribution of income and assets is another poverty factor. In the past, poverty has increased when income inequality rates have risen. This is true for the period between 1987 and 1992, when the *Gini coefficient* rose from 0.45 to 0.49 (Table B9 in Annex B) as a result economic development in these years (see Box 2).

However, reduction of the *Gini coefficient* to 0.38 in 1997 was unable to prevent another increase in the extent of poverty. Despite the country's ambitious structural adjustment programme, which was started in 1992, real wages declined due to stagnating or even falling nominal wages and rising price levels. Inflation was high due to a significant devaluation of the *Jordanian Dinar* (JD) and the elimination of basic commodity subsidies.

High Demographic Growth

Jordan's high population growth is outstripping GDP growth, thus preventing the economy from providing a sufficient number of new jobs and social services (see Box 2). The country's demographic growth rate has slowed down, but it is still among the highest in the world. Jordan's population (about 5 million in the year 2000) is forecasted to double by 2020. This trend is due to the country's high fertility rate (4.2 children per woman) and rising life expectancy (71 years at birth in 1999).[43] Almost half the population (46.6 %) is either under the age of 15 or above the age of 65 and depends on income transfers from a small number of income earners.

42 Cf. IBRD (1994d), p. 61; cf. Shakhatreh (1999), p. 28.

43 Cf. IBRD (1999e), Annex III, p. 3.

Table 2 Characteristics of Poor and Rich Households 1996

Characteristics	% of bottom income decile	% of top income decile	% of all	relation between lowest / highest decile	relation between lowest decile / mean	share of lowest income decile in group characterised
Without economically active members	37	6	10	6.2	3.7	37 %
Main provider is at least 60 years old	32	7	9	4.6	3.6	36 %
Without employed member	54	8	17	6.8	3.2	32 %
Household head is woman	31	9	10	3.4	3.1	31 %
Main provider chronically ill	32	7	12	4.6	2.7	27 %
Household head illiterate	51	7	19	7.3	2.7	27 %
Living in refugee camp	19	1	5	13.0	2.6	26 %
Household head is at least 60 years old	41	14	17	2.9	2.4	24 %
Main provider unemployed	17	2	7	8.5	2.4	24 %
Main provider in agriculture	11	4	7	2.8	1.6	16 %
Household head has only basic education	93	33	67	2.8	1.4	14 %
Mean	**10**	**10**	**100**	**1.0**	**1.0**	**10 %**

Source: Hanssen-Bauer / Pedersen / Tiltnes (1998), Table 6.3; authors' calculations.

Low Labour Force Participation

Jordan's low labour force participation rate is another cause of poverty. In 1998, the labour force included less than half the overall working-age population. 58.1 % of the working-age population were unable or unwilling to work or had given up looking for employment (Table B10 in Annex B). As a consequence, Jordan's dependency ratio is at a high 80 %, which means that one salary must feed five persons. Average households count 7.1 members, of whom only 1.5 are income providers. The low labour force participation among women (14.1 % compared to 69 % for men) is particularly striking.[44] The main reason for this fact is that women tend to stop working when they marry. Among urban poor people, labour force participation is even lower, amounting to only 55 % for men and 5 % for poor women.[45]

44 Cf. Shakhatreh (1999), p. 28.

45 Cf. Khayri / Nasir (1995), p. 39.

3.3 The Profile of Urban Poverty

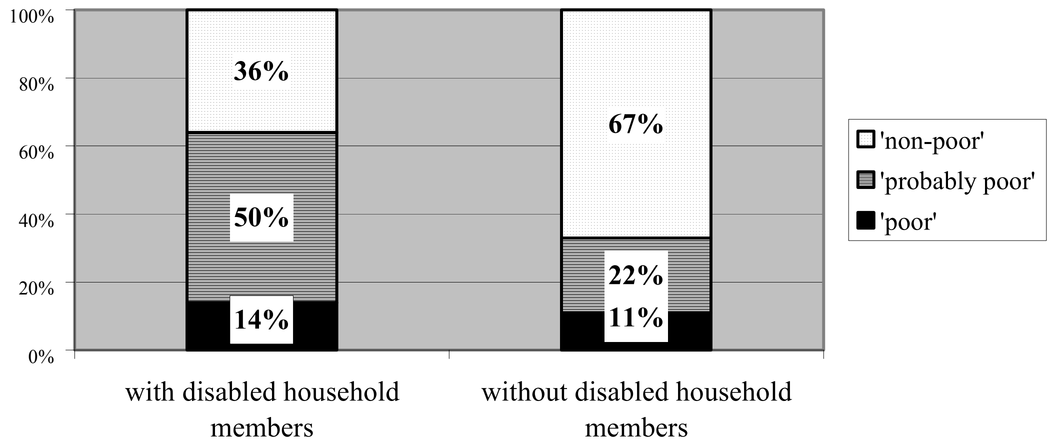
For households, social risks are individual poverty factors. In Jordan poverty is most widespread among typical risk groups such as (i) the disabled, (ii) the old-aged, (iii) the unemployed and underemployed, (iv) women-headed households, (v) people with health problems, (vi) families with high dependency ratios and (vii) the undereducated.

The profile of urban poverty is similar to the national poverty profile. This fact is shown by the findings of a case study carried out by Khayri / Nasir (1995) among 418 families in East-Amman and the results of the GDI household survey carried out in March / April 2001 (see Annex A).

Work Disability

The disabled have a high above-average incidence of poverty. Households with a handicapped household head are twice as likely to be poor than aver-

Figure 2: Relation between Poverty and Work Disability



Source: GDI household survey (see Table A10 in Annex A)

age. These persons are unable to work and generate income and therefore depend on the assistance of others. Table 2 shows an incidence of poverty almost three times above-average for households with the main provider suffering from chronic health problems. During the GDI household survey chronic illness was the most frequently mentioned risk affecting the economic situation of households (see Table A19 in Annex A). Furthermore, the survey revealed a strong correlation between poverty and disability: 64 % of the households with at least one disabled member were classified as 'poor' or 'probably poor' (see Figure 2). Both findings were confirmed by the UNDP report, which found 42 % of the disabled to be poor.[46]

Old-age

The old-aged are a second risk group. The FAFO report states that a household's risk to be poor is three times above average when the household head is older than 60 years (see Table 2).[47] The GDI household survey, however, did not find a correlation between the number of old-aged persons in a household and the incidence of poverty (see Table A11 in Annex A). According to the UNDP study, the incidence of poverty among households with members aged 60 years or more is even slightly below average.[48]

Death of the Main Provider, Divorce and Separation

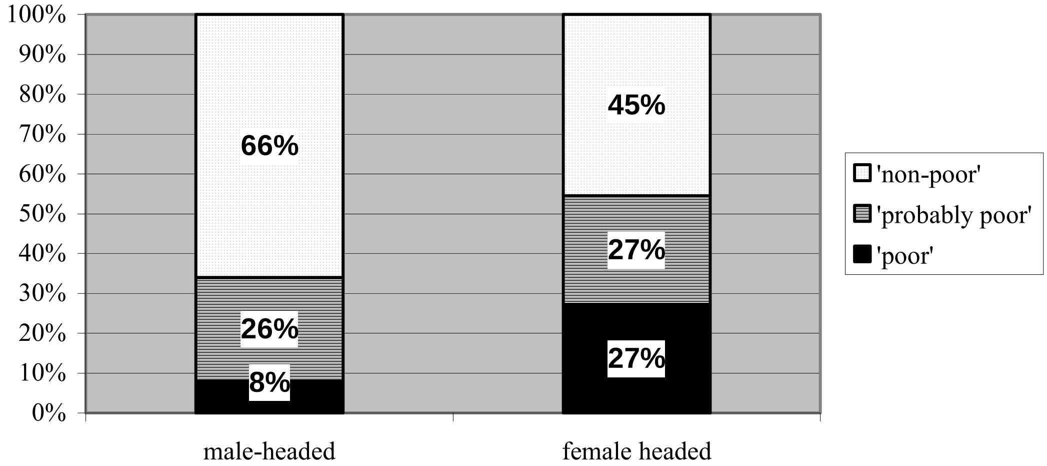
Female-headed households are more often exposed to poverty than male-headed households. These may be single unmarried women or households with widowed, divorced or separated (abandoned) female household heads. According to the results of the 2001 GDI household survey in East Amman, the correlation between urban households headed by women and incidence of poverty is highly marked: 54 % of the interviewed female-headed households were classified as 'poor' or 'probably poor' the figure for male-headed households being only 34 % (see Figure 3). Similarly, the Norwegian *FAFO Institute* found the incidence of poverty among women-headed households to be three times above

46 Bakir (2001), Annex, p. 4.

47 Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998).

48 Cf. Bakir (2001), annex, p. 3.

Figure 3: Relation between Poverty and Gender of Household Head



Source: GDI household survey (see Table A13 in Annex A)

average (see Table 2). Surveys commissioned by UNDP and the *World Bank*, however, did not confirm this finding: They even indicate a slightly below-average poverty rate among female-headed households.[49]

But they do confirm the concentration of poverty among divorced or separated women. The single most serious risk for a woman is divorce or separation from her husband, but the correlation between poverty and widowhood is not significant, though a huge percentage of Jordanian divorced and abandoned women are poor. These findings are confirmed by the UNDP report[50], which found that 47 % of separated women live below the national poverty line. A possible explanation might be that widows, on the one hand, are often entitled to a social security pension or supported by their own relatives or family-in-laws. Divorced women, on the other hand, are cut off from all their relations and refused any further support.

Women, in general, are more exposed to social risks: They are more likely than men to be illiterate, without employment or low wage earners.

There are three reasons why female household heads find it more difficult than males to find the employment (or well-paid employment) they need to care for themselves and their children: First, many women lack vocational education or work experience. The education level among women is much inferior to that of men. Second, work for income is less well accepted for women than for men. The female labour force participation rate significantly dropped over the last decade, when migrant workers returned from the Gulf and the unemployment rate rose among males and females alike. Third, women find it hard to work and at the same time care for their children.

Poverty rates are highest for female double-risk groups like single women over age 60 or single women with less than basic education. Here the incidence of poverty is as high as 67 % and 64 % respectively.[51]

49 Cf. Bakir (2001), p. 7; IBRD (1994c), p. 20; IBRD (1999e), Annex III, p. 3.

50 Cf. Bakir (2001), Annex, p. 3.

51 Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998), pp. 212 - 214.

Unemployment and Underemployment

The lack of productive employment in Jordan is not only a serious social problem for the economy as a whole, but it also constitutes a significant individual risk. A *World Bank* poverty assessment from 1999[52] finds the incidence of poverty to be far above average among households whose head is unemployed or underemployed (see Box 3, p. 18). Another study carried out by the *Norwegian FAFO Institute* in 1998 shows that the share of bottom-income decile households characterised by unemployed household heads is 2.4 times higher than among the overall Jordanian population (see Table 2).[53] Khayri / Nasir found above-average unemployment rates for the Amman poor (28 % compared to an average of 20 %).[54]

The incidence of poverty is even higher among households without any member in employment. When the main provider is dismissed, households often use the labour income of other household members to replace his income. When no single member is economically active, a household's probability of being poor is almost three times above average (see Table 2).

Bad Health

Chronic or acute illness is another poverty factor. More than 40 % of the families from the GDI household survey that were found to be poor had been affected by health risks in the past, while this was the case for only 21 % of the non-poor households (see Table A19 in Annex A). On the one hand, illness requires financial resources to cover treatment. This fact is further highlighted by the large number of poor Jordanians insufficiently covered by health insurance (see Table A5 in Annex A). On the other hand, illness may affect one of a household's income providers and, at least for a time, result in income losses. Moreover, chronic disease can ultimately even mean total work disability.

High Number of Children

Having many children is a severe social risk for Jordanian families. This effect is highlighted by two findings:

First, large households are characterised by a high dependency ratio and are very likely to be poor. Here, the dependency ratio is defined as the ratio of non-working household members to all members of the household. Poor households have 40 % more household members than non-poor households.[55] According to the, a household with twelve members is almost five times more likely to be poor than a household with only six members. Similarly, 44 % of the GDI sample households from East Amman with a dependency ratio of 0.75 or more were classified 'poor' or 'probably poor', the figure being 16 % for households with a dependency ratio below 0.75 (see Figure 4).

High dependency ratios can be due to a high number of children, old-age persons, work-disabled or unemployed persons or persons outside the labour force. Such household members depend on the income of others of working age. In Jordan, however, there is strong evidence that the concentration of poverty among households with high dependency ratios can be traced back to a correlation between poverty and high number of children.[56]

Second, the incidence of poverty among children is far above average. 21 % of children younger than 7

52 Cf. IBRD (1999e), Annex III, p. 2 and Table AIII.1a, p. 6.

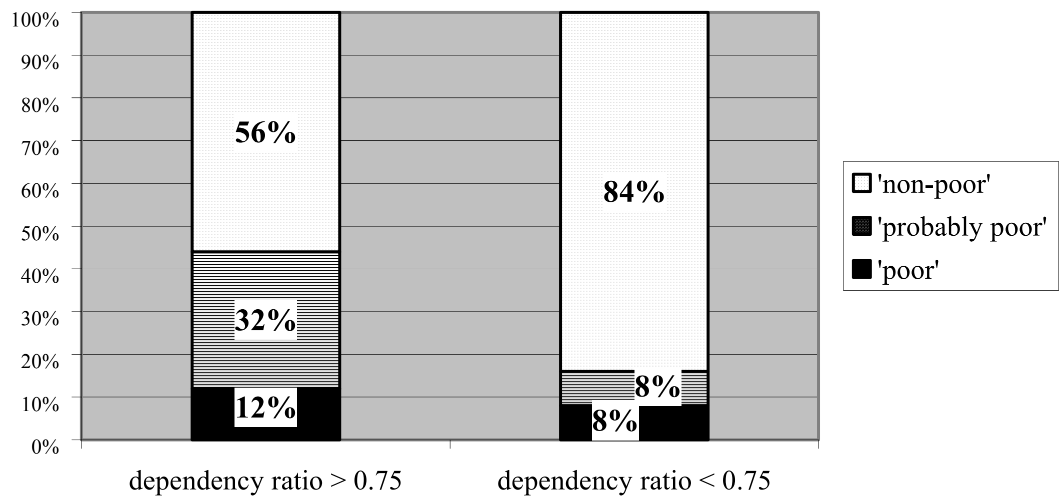
53 Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998), pp. 143 - 148.

54 Cf. Khayri / Nasir (1995), p. 36. The GDI household survey found no correlation between unemployment and poverty (see Table A19 in Annex A), but this result is not significant, because only six household heads from the sample were classified as 'unemployed' (see Table A14 in Annex A).

55 Cf. Bakir (2001), p. 7.

56 Cf. Bakir (2001), p. 7; Hanssen-Bauer / Pedersen / Tiltnes (1998), p. 54. The dependency ratios are dominated by persons under 15 (42.5 %) rather than old people (2.9 %).

Figure 4: Relation between Poverty and Dependency Ratio



Source: GDI household survey (see Table A9 in Annex A)

and 25 % of children between the ages of 7 and 15 years live in poor households.[57]

Jordanians themselves often perceive the large size of their household as the principal *cause* of poverty.[58] For urban areas, Khayri / Nasir found the share of children under the age of 15 among the urban poor (45.9 %) to be higher than among the urban non-poor (37.8 %).[59] This finding was confirmed by the results of the GDI household survey. Meanwhile, it can also be argued that the large size of Jordanian households is a *result* of poverty, since a high number of children is considered to be a strategy of providing for old age.

Low Levels of Education and Training

The incidence of poverty is far above average among the undereducated. Only 32 % of Jordan's non-poor households have elementary schooling or less; but the figure is 53 % for the poor.[60] According to the Norwegian *FAFO Institute*[61], the share of households with illiterate household heads is almost three times higher among the bottom-income decile than among the entire population; the share of households with the head having basic education or less is 1.4 higher (Table 2). The *World Bank* reports the poverty incidence among households with illiterate household heads to be 28%.[62] Similarly, Khayri / Nasir found only 3.3 % of the urban poor to have higher education, while this figure was 6.5 % of the non-poor.[63]

The correlation of poverty and low education levels can be explained by the fact that people with low education levels usually work in low-productivity, low-wage industries. The poverty risk of unskilled

57 Cf. IBRD (1994c), p. 22.

58 Cf. IBRD (1994c), pp. 21f.

59 Cf. Khayri / Nasir (1995), p. 35.

60 Cf. Bakir (2001), p. 18.

61 Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998), p. 225. Jordanians with basic education or less are eight times more at risk to become poor than university graduates. The incidence of poverty of illiterates is double the national average, cf. IBRD (1994c), p. 14; IBRD (1999e), Annex III, p. 3.

62 Cf. IBRD (1999e), Annex III, p. 3.

63 Cf. Khayri / Nasir (1995), p. 36.

workers is twice an average employee's risk of living below the poverty line.

Low education is not only an important poverty factor but also an outcome of poverty incidence. School dropout rates remain high among low-income groups in Jordan, even though the country's public education system is free of charge and ten years of basic school are compulsory. One of the main reasons is that poor parents' children are urged to work and contribute to family income as soon as possible.

This correlation may be interpreted in two different ways: On the one hand, people with chronic health problems may be unable to work, and thus have no wage income. On the other hand, those who are already poor tend to be unskilled workers active in dangerous economic sectors like construction, where they are highly exposed to work injuries and occupational diseases.

4 Social Protection Systems in Jordan: an Institutional Analysis

The Jordanian 'social protection net' breaks down into a great number of different social protection systems (see Table 3). We can distinguish, on the one hand, systems based on risk prevention or risk mitigation from other systems based on risk-coping strategies. Risk pooling (e.g. social insurance) and saving (e.g. on bank accounts) are the most important mitigation strategies in Jordan, while among the risk-coping strategies family assistance and public social assistance are by far more prominent than borrowing.

On the other hand, these systems are based on different institutions: the state, the international community, the market, civil society, co-operative arrangements and social norms.

The social protection sector in Jordan does not suffer from a lack of funding. It is well endowed with financial resources. At least one fifth of GDP is spent on social protection (see Table B14 in Annex B).

But only part of the population benefits from this spending, leaving the other part without any social protection: The greater share of social protection spending goes into market-based saving (that only the better-off can afford) and to public social insurance, which exclusively covers the armed forces, civil servants and employees of private and public medium- and large-scale enterprises. A much smaller share of social protection spending (far below 5 % of GDP) goes to redistributive transfer schemes (social assistance, subsidised health care). Yet low-income groups living slightly above the poverty line are neither covered by private or social insurance nor eligible for social assistance.

This chapter presents the most important social protection systems, sorted in terms of (i) the institutions on which the systems are based and (ii) their social protection strategy (risk prevention, risk-pooling, risk diversification and risk-coping).

4.1 Public Systems

At present, the state is the most import provider of social protection in Jordan. It runs a variety of schemes intended to support household social protection efforts based on: insurance, assistance, loans, public health care and commodity subsidies. These schemes are administered by a number of different public institutions.

However, the public social protection network is far from comprehensive: A large share of the population is not covered by any of the schemes and remains unprotected against risks such as old age, unemployment, illness or work disability.

This is not due to a lack of funding. The total share of public spending for social protection is high compared to other Arab or non-Arab developing

Table 3: Risk Management Mechanisms and Social Protection Schemes in Jordan

	household-based	**group-based**	**market-based**	**provided by non-governmental & international organisations**	**publicly provided**
Risk reduction	preventive health practices labour migration to the Gulf			UNRWA school system UNRWA health policy	education and training policy public health policy
Risk Diversification	income source diversification among household members education	*ğama^{c}iyyāt* (pp. 39 - 40) investment in social capital *(wasṭa-*seeking)	*saving with banks* (p. 36) micro-finance institutions (p. 37)	*micro-finance programmes of NGOs* (pp. 38 - 39) income generating projects	income-generating projects vocational training
Risk-Pooling (Insurance)	marriage and mahr extended family	*mutual insurance: family and solidarity funds* (p. 40)	*private life, health & accident insurance* (p. 35)	*occupational associations: insurance programmes* (p. 36)	*social insurance: MPP/ RMS, CHIP/ CPP, SSC* (pp. 25 - 30)
Risk-coping	*mutual support* (pp. 40 - 42) *philanthropic assistance* (p. 42) out-migration child labour reduced consumption	*ğama^{c}iyyāt* (pp. 39 - 40)	*micro-finance institutions* (p. 37) loans from moneylenders borrowing from employer dis-saving sale of assets	*UNRWA special hardship & health care programmes* (pp. 37 - 38) *NGO Credit & Social Assistance programmes* (pp. 38 - 39)	*social assistance programmes: e.g. NAF, Zakat Fund* (pp. 30 - 32) *social loans* (pp. 32 - 34) *public health care* (p. 35) *subsidies* (pp. 34 - 35)

NB: This table lists only systems relevant for urban groups.
All systems presented in this chapter are listed in italics.

Cf. Table 1, p. 6

countries.[64] In 1995 public social sector spending (including health and education) accounted for 16.1 % of GDP, 6.6 % of which went to social protection.

Insufficient co-operation and co-ordination between the different public institutions active in the field, however, are serious problems. They result in partial overlaps of provisions and non-harmonisation of targeting rules. Considerable financial means are lost because of these deficiencies.

Even more serious perhaps, public means budgeted for social protection are spent in an ineffective way. Reallocating funds bears considerable potentials for improving efficiency and social fairness.

64 Cf. Tzannatos (2000), p. 19.

4.1.1 Social Insurance

Social insurance is provided by three subsystems:

— The public *Social Security System*, which is run by the *Social Security Corporation* (SSC). It covers public and private sector employees (Jordanians and non-Jordanians) in enterprises with at least five employees. However, employees in agriculture, fishing, domestic services and unpaid family work are excluded. Since 1995, the SSC has also been responsible for newly recruited civil servants, who used to be covered by the CPP.[65]

— The civil insurance programmes covering civil servants: The *Civil Health Insurance Programme* (CHIP) is administered by the *Ministry of Health* (MOH), and the *Civil Pension Programme* is administered by the *Ministry of Finance*. The CPP is still in charge of civil servants recruited before 1995, while the SSC has taken on responsibility for almost all government employees hired after that year. On the other hand, all civil servants and employees of major state-owned enterprises are still covered by the CHIP. They enjoy free treatment in any of the MOH's health care facilities.

— The military insurance programme, which breaks down into the *Royal Medical Services* (RMS), an entity under the governance of the *Ministry of Defence*, and the *Military Pension Programme* (MPP), administered by the *Ministry of Finance* (MOF). Both programmes cover all members of the armed forces, the public security forces and the intelligence service.

All systems provide for old-age, survivor and work-disability pensions as well as for work-injury compensations. However, only the CPP and MPP include health insurance. Other risks, such as unemployment, are not addressed by either of these three public insurance systems.

Nearly half the population is not covered by any social insurance system. This fact is due to the rigid eligibility criteria of the three schemes. The pension schemes cover no more than 50 - 60 % of the total population, although the legal coverage of the social security system has been extended significantly over the last twenty years. As to health insurance, the coverage of the public insurance schemes is even lower - ranging between 35 and 45 % of the entire population (see Tables B15 and B17 in Annex B) - because the social security system does not provide for health insurance, although it is legally entitled to build up this social insurance component.

Moreover, the breakdown of social insurance into three systems distinguishes between three classes of insured. Table 5 shows that the eligibility and benefit conditions diverge greatly – especially between the social security system on the one hand and the civil and military insurance programmes on the other hand.

The generous conditions of the civil and military insurance programmes are not only a matter of equity, they also pose an immense financial burden to the government budget[66]. These programmes rely substantially on budget transfers (85 % in case of RMS expenditures) and cover only 8 % of their expenditures through contributions (see Table B 17 in Annex B). Public pensions account for more than 13 % of fiscal spending and the RMS and MOH health systems add another 8 %.[67]

Not even the social security system (see Table 4) is financially sustainable. Current surpluses are due to the fact that the system has not matured yet. Given the system's current design, insurance payments will exceed contribution revenues in 2024 and capital reserves will be exhausted by 2042. The government will have to cover the deficit.[68] This lack of sustainability can be traced back to four major factors: (1) an unsound benefit factor, (2) a very high minimum pension, (3) the overly generous early-retirement regulations and (4) the SSC's distorted investment policy.

65 Mr. Umar Umari, *Civil and Military Pension Commission, Ministry of Finance*, 26 February 2001.

66 Mr. Lutfi Abu-Hazeem and Dr. Mohammad Abu-Hammour, *Ministry of Finance*, 22 April 2001.

67 Cf. Brosk et al. (2000), Table ES-2; MOF (2001), p. 13.

68 Cf. Muhanna (1997).

Table 4: Benefits and Qualifying Conditions of the Social Security System in Jordan

Insured risks	benefits	qualifying conditions
Old age, disability and death	*(1) old age pension*	
	monthly pension: 2 % of average monthly salary during last 24 months times years of contributions, limited to 75 % of average monthly wages + 10 % for 1st dependant + 5 % for 2nd and 3rd dependant	age of 60 (men) or 55 (women) 120 months coverage (36 of which are continuous contributions within last 5 years) or 15 years of total coverage
	(2) early-retirement pensions	
	discounted retirement pension: -10 % if age 46-50 -5 % if age 51-54	age of 45 180 months of contributions
	(3) natural disability pensions	
	50 % of average monthly salary during last 12 months	12 consecutive or 24 intermittent contributions
	(4) survivors pensions	
	50 % of average monthly salary during last 12 months	12 consecutive or 24 intermittent contributions
	(5) lump sum compensations	
	15 % of annual average wage in the last two years times years of contribution (retirement age, disability, or death) 10-15 % of average annual wage (insured ceases to work prior to retirement age)	requirements for monthly pensions not met
Work injuries and occupational diseases	*(1) permanent total disability pension*	
	75 % of wage (+ 25 % if the insured is in constant need of assistance)	
	(2) permanent partial disability pension	
	percentage of the permanent total disability pension, depending on degree of disability	
	(3) survivor pension	
	60 % of the injured person's monthly wage	
	(4) lump-sum compensations	
	equivalent to the percentage of disability of the amount payable for total disability for 36 months	permanent partial disability of less than 30 %
	(5) other benefits	
	medical care transportation fees daily allowances	

NB: All monthly benefits are subject to a minimum pension (JD 65) and raised by 10 % per annum (at least JD 15) to adjust for inflation.

Source: SSC (1999); SSA (2000), pp. 199 - 200.

Table 5: Basic Indicators of the Three Social Insurance Schemes

	SSC	CPP / CHIP	MPP
Contributions			
Pensions	13 % of salary	8.75 % of basic salary	8.75 % of basic salary
Work injury	2 % of salary	free	free
Health	not covered	3 % of basic salary (maximum: 30 JD p.m.)	1.5 JD p.m.
Old-age pension			
Qualifying conditions	minimum coverage 120 months Age of 60 (men)/ 55 (women)	minimum coverage 240 months (men) or 180 continuous months (women)	minimum coverage 192 continuous months (men) —
Benefits	2 % of average salary during last 24 months times years of contributions	2.5 % of last salary times years of contributions	2.5 % of last salary times years of contributions
Survivor pension			
Qualifying conditions	12 consecutive or 24 intermittent contributions	none	none
Benefits	50 % of average salary over last 12 months	flat rate JD 28.5 p.m. plus 75 % of old-age pension, but minimum JD 12.5 p.m. for each survivor	flat rate JD 28.5 p.m. plus 75 % of old-age pension, but minimum JD 12.5 p.m. for each survivor
Health care provisions			
Benefits	no health insurance	free health care in MOH health centres and hospitals pharmaceuticals with very limited cost-sharing only	free health care in RMS and MOH health centres and hospitals pharmaceuticals free of charge

Information from Dr. Umar Umari, Civil and Military Pension Commission, Ministry of Finance, 26 February 2001.

The benefit factor is far too generous. As long as pensions are computed on a last-salary basis, the factor should not exceed 1.6 % for each contribution year.[69] As a partially-funded scheme, the social security system relies on favourable conditions as regards demographics, wages and employment. The Jordanian population is still young, the share of persons aged 60 or more being 5.2 % (1999).[70] But the ratio between pensioners and contributors will worsen over time, because life expectancy is increasing and the total fertility rate is decreasing.

The minimum pension is set at a very high level. 80 % of retirees receive a pension amounting to the minimum pension level.[71] Their benefits exceed accumulated contributions. The difference can be interpreted as a direct subsidy financed by the SSC's general budget.

The situation is further aggravated by early-retirement regulations that are far too generous. Although the early-retirement age is 45 and the minimum period of contribution is only 15 years,

69 Cf. Cichon (2000).

70 Cf. DOS (2000b), Table 1/1.

71 Mr. Nawaf Kalaldeh, *Social Security Corporation*, 14 February 2001.

monthly pensions are not substantially reduced for early pensioners. Furthermore, the early-retirement provision is susceptible to misuse for two reasons. First, if the employee's salary does not exceed a certain income level, which is close to the minimum pension, the insured has strong incentives to retire at age 45 and to rely instead on an early-retirement pension and possibly on income from informal labour. Second, if an employer wants to cut back on employment, he can shift substantial costs to the social insurance systems by using the early-retirement provision and paying his former employees the difference between their last salary and the early-retirement pension.[72] The last years have already seen a substantial and rising number of early retirees imposing a huge financial burden on the system.

The system's sustainability is also adversely affected by a distorted investment policy which is not based on economic criteria. The SSC is not allowed to invest abroad but only in Jordan, where investment opportunities are limited. The *Amman Financial Market* is not capable of absorbing the financial resources, which, in 1999, amounted to 24 % of GDP.[73] Thus investment in equity is rather low (18.3 % of total investments in 1999). However, a huge, though shrinking, share of investments (17.7 % in 1999) is still directed to government and state-owned enterprises. About 60 % is invested in deposits and treasury bills. As a consequence of this distorted investment policy, average nominal rates of return to investment are low. In 1998 they did not exceed 7.5 %, and at that time the average interest rate of time deposits was 8.3 %.[74]

Some of the SSC regulations are expected to be amended in the summer or autumn of 2001.[75] A new law is on its way through parliament. Some of the SSC's deficits will be reduced, others, however, will further deteriorate [76]. The most important amendments address the scheme's coverage, the level of contributions and benefits and the administration procedures:

First, the level of contributions and benefits is to be increased. Contribution ratios will rise from 10 % to 11 % for the employer share and from 5 % to 5.5 % for the employee share. In turn, all pensions will be raised on an *ad hoc* base by 10 % - but no less than 15 JD and no more than 50 JD. This rise will also increase the minimum pension level from 65 to 80 JD as well as increasing the number of pensioners receiving minimum pensions. Moreover, the accrual rate of the pension formula will be raised from 2 to 2.5 for each contribution year. The net effect of these changes will further aggravate the long-term financial position of the SSC.

Second, some amendments are intended to extend the coverage of the system. Employers with fewer than five employees will be entitled to register with the SSC to insure their employees on a voluntary basis. Apart from this, any employed person may opt to enrol with the SSC on an individual basis, though in this case he has to pay both the employer share and the employee share of contributions totalling 16.5 % of labour income once the new law has passed. This opening of the SSC to all workers in Jordan is a step towards social fairness, but it could have a negative impact on the financial situation of the SSC: Most of the newly insured earn low incomes and hence benefit from the generous minimum pension regulations.

Third, administrative and planning procedures are expected to be improved by the recruitment of new staff, the enlargement of the planning and research department and the establishment of a monitoring department to control worker compliance and contribution deductions. Moreover, data-processing will be computerised and thus accelerated.

Plans for reforming the CPP focus on transferring all remaining CPP-insured to the SSC. The IMF has made an initial proposal and is expected to consult

72 Cf. Kalaldeh (2000).

73 Cf. SSC (1999), p. 33.

74 Cf. CBJ (1999).

75 Mr. Ahmed Abdel-Fattah, *Social Security Corporation*, 17 February 2001.

76 Cf. Cichon (2000).

the government on this issue. No reforms are planned, however, for the MPP.[77]

4.1.2 Social Assistance

Jordan has built up several social assistance programmes during the last two decades. The funds spent on these programmes are limited, though they have been increased over the last five years. In 1999 total social assistance spending amounted to about 0.5 % of GDP[78], the *National Aid Fund* (NAF) and the *Zakat Fund* being the most important providers: 36 % and 39 % of total social assistance spending respectively are distributed by these two institutions.[79] Besides, social assistance is granted by JOHUD, local NGOs and UNRWA. Table B24 in Annex B provides an overview of all operating social assistance providers in Jordan.

However, the lack of co-ordination between the different social assistance programmes and insufficient targeting efforts results in an inefficient allocation of funds: Almost a quarter of the social assistance recipients within the GDI household sample were not found to be in need. Moreover, the programmes suffer from inefficient administrative procedures and high overhead costs.

The *National Aid Fund*

The *National Aid Fund* (NAF) is the most important provider of cash assistance in Jordan. It was established in 1986 and is financed by the *Ministry of Finance*.

The NAF administers two programmes. The first targets the unemployable poor. Applicants are eligible for support once a means test has proven their need and provided they have no other source of income and none of the male household members is considered employable. Particular attention is given to widows, divorced women, orphans, the work-disabled and dependants of prisoners. In 2001, 53.000 families received an average annual assistance of JD 106 per person. Apart from this, they are granted free access to the MOH's health care facilities, and some school leavers are given vocational training or university stipends.

NAF's second programme addresses the work-disabled. It provides interest-free loans for families with disabled children and other services for the handicapped. The loans are intended to finance rehabilitation and vocational training courses to reintegrate the handicapped.

The NAF suffers from three major weaknesses, the first being its insufficient funding and outreach. The assistance granted is insufficient in scope and scale. Despite its growing budget, in 2000 the NAF supported less than 20 % of the poor.[80] Even households whose applications have been approved are on waiting lists because of the insufficient funding of the NAF's programmes. This finding was confirmed by the results of the GDI household survey: No more than 26 % of the households classified as 'poor' or 'probably poor' reported being supported by the NAF (see Table 6). A high number of needy households had applied for assistance from the NAF but were turned down.

NAF's most frequent reason for refusing assistance is applicant household heads with unmarried of-age sons in the household. The GDI household survey found that many applicants complain about the termination of support on the day on which their eldest sons have reached the age of 18.

Moreover, the transfers granted are insufficient in scope. They average only 33 % of the poverty line.

77 Mr. Umar Umari, *Civil and Military Pension Commission, Ministry of Finance,* 26 February 2001.

78 Cf. DOS (1999), p. 177; Shteiwi (1999b), p. 283 ff. This figure was computed by summing up the spending of all social assistance providers. Alternative estimates of social assistance spending in Jordan are in a wide range between 0.2 to 1.5 % of GDP. See also Tables B13, B14 and B24 in Annex B.

79 Cf. Khairi / Nasir (1995), p. 45.

80 Dr. Fayiz Suyyagh, *The National Aid Fund,* 20 February 2001.

Table 6: Social Assistance Outreach in GDI Household Sample

	number of beneficiary households	in % of household class	in % of classified households
Poor	7	50	28
Probably poor	12	43	48
Non-poor	6	7	24
Not classified	2	14	---
Total	**27**	**19**	**100**

Source: GDI household survey (see Table A24 in Annex A)

The results of the GDI household survey confirm that the size and nature of benefits often do not meet the expectations of the recipients.[81]

The second weakness of the NAF is its application process. The NAF claims to check whether applicants are being supported by potential alternative social assistance providers. In practice, however, applicants themselves are obliged to prove that they are not in receipt of income from any other source. This procedure is difficult and bureaucratic. Applicants interviewed during the GDI household survey even described the procedure as time-consuming and humiliating.

The third weakness of the NAF is the institution's administration. It is highly centralised, the consequence being that flexible decision-making is impossible. Moreover, internal administrative capacities are weak, especially in the fields of data-processing, programme monitoring and screening of applicants.

A reform of the NAF is on track. Restructuring and expansion of outreach is one of the four components of the *Social Productivity Programme* (SPP), which was launched by the *Ministry of Planning* (MOP) in co-operation with donors in 1998 to tackle the problem of poverty and raise overall social productivity in Jordan. The ongoing NAF reform aims at improving the institutional capacity and the targeting mechanisms of the NAF, establishing more effective services for the applicants, raising the number of beneficiaries and increasing the average assistance granted to households. Moreover, the NAF's database of is expected to be computerised over the coming years, allowing for an on-line exchange of information with other institutions active in the field of social protection.[82]

The *Zakat Fund* and the *Zakat* Committees

The *Zakat Fund* is the second social assistance provider in Jordan in terms of total funding and average funding per beneficiary.[83] It is a public institution administered by the *Ministry of Awqâf*, though it is independent of the government budget.

The *Zakat Fund* is financed by private *zakat* donations and provides support to needy households via co-operation with 167 affiliated local *zakat* committees. In 2000 the public *zakat* system transferred JD 5.2 million to more than 15,000 households as regular and occasional social assistance. Moreover, it granted university stipends, free medical treatment in hospitals, vocational training and emergency support to selected families.[84]

81 Cf. IBRD (1994c), p. 110.

82 Mr. Mustafa Basbous and Mr. Omar Al-Rafie, *Ministry of Planning, Social Productivity Programme Unit,* 15 February 2001. Dr. Fayiz Suyyagh, *The National Aid Fund,* 20 February 2001. Cf. MOP (2000).

83 See Table B24 in Annex B.

84 Mr. Abdel-Fattah Salah, *Ministry of Awqâf,* 25 February 2001.

Like the NAF, the *Zakat Fund* is rather limited in scope and scale. In 2000 it supported no more than 7.5 % of the poor, and average monthly transfers did not exceed JD 29 per household.[85]

However, the administration of the *zakat* social transfer system is by far more efficient than the NAF, as it is based on the voluntary work of religiously motivated social workers from local *zakat* committees.[86] During the GDI household survey, beneficiaries reported application for *zakat* to be easy compared with application for NAF assistance. However, the eligibility criteria are the same for both institutions: No *zakat* is granted, for example, to families with at least one male able to work.

4.1.3 Social Loans

It is useful to draw a distinction between social and small business loans: These two types of credit aim at different goals. Social credits are granted to the poor to bridge temporary income gaps and to finance very small income-generating projects (usually within the household), while business loans are markedly larger and directed to small and medium entrepreneurs. Moreover, the conditions of social loans are softer, and they are often subsidised and usually have lower repayment rates.

Most public credit institutions provide social loans.(see Table 7) They include the *Development and Employment Fund* (DEF), the NAF, the *Ministry of Social Development*, the *Orphan's Corporation*, the *Noor al-Hussein Foundation*, the *Jordan Hashemite Fund for Human Development* (JOHUD) and the *Housing and Urban Development Corporation*. The same is true of Jordanian and international NGOs running micro-credit programmes (see subchapter 4.4, p 38.). In 1998, a total of about JD 23 million in social loans was granted to 20,000 households. Meanwhile, two public banks, four commercial micro-finance institutions and six non-governmental organisations were catering for the needs of micro-business entrepreneurs. Table B23 in Annex B lists all small credit providers active in 1998.

The *Development and Employment Fund*

The DEF was established in 1992 by the Jordanian government to support the unemployed poor in taking up productive work again. In 2001 DEF was still the main provider of loans for income-generating projects. These loans are granted directly or indirectly through intermediary institutions. In 1999 DEF directly financed about 800 projects with a total of JD 3.9 million, in this way creating 953 jobs.[87] Over the entire period between 1991 and 1999, DEF granted a total of JD 18 million for credits.[88]

DEF suffers from an extremely low repayment rate, even though it appears to be unable to reach the poorest segments of society. This is indicated by DEF's high average loan size, which by far exceeds the annual per capita income of the poor. Moreover, it is striking that no more than 11,700 jobs have been created since the establishment of DEF.

In 1999 DEF adopted stricter lending conditions. This new lending strategy could, on the one hand, raise the repayment ratio and increase the programme's sustainability but, on the other hand, this may well further reduce DEF's orientation towards low-income groups.

The *Ministry of Social Development*

The *Ministry of Social Development* (MOSD) is the central public institution in the field of poverty re-

85 Cf. IBRD (1994c), p. 112; IMF (1995), p. 76; Shteiwi (1999a), p. 18. See also Table B24 in Annex B. The outreach of the public *zakat* system covered by the GDI household sample was slightly higher (19 %), but the survey focused on urban low-income quarters of East-Amman, where the spread of *zakat* committees is reported to be comparatively wide.

86 Mr. Yasser Abu Hilala, *Al-Jazeera Channel,* 11 April 2001.

87 Cf. CBJ (2000), p. 23; Shteiwi (1999a), p. 9.

88 Cf. DEF (1999b), p. 18.

Table 7: Outreach of Credit Institutions in GDI Household Sample

	total number of households	number of households that have ever taken out a loan from				
		commercial banks	DEF	NGOs	micro-credit companies	other institutions
Poor	14	1	0	1	0	0
Probably poor	28	4	0	0	0	0
Near-poor	55	7	0	1	1	4
Not vulnerable	28	5	0	1	1	2
Total classified	**125**	**17**	**0**	**3**	**2**	**6**

Source: GDI household survey (see Table A24 in Annex A)

duction and development. It is responsible for family and child affairs, support of families with disabled children, special education of the handicapped, community development and social welfare in general. The MOSD runs a number of nursery homes, centres for the handicapped and special training classes. However, most of the ministry's social work is outsourced to local NGOs.

The MOSD does not have its own social assistance programme. However, in co-operation with non-governmental organisations such as the *Near East Foundation* (NEF) or *CARE International*, the MOSD's 'productive family programme' has established social credit funds with local partner NGOs. In 1998 the programme supported 700 income generating projects with a total funding volume of JD 500,000.

The Foundations

In the field of social protection in Jordan, an important role is played by three semi-governmental foundations chaired by members of the royal family: the *Noor al-Hussein Foundation* (NHF), the *Jordan River Foundation* (JRF) and the *Jordan Hashemite Fund for Human Development* (JOHUD), the former *Queen Alia Welfare Fund* (QAF).

All of them are of significant size and have considerable outreach and administrative capacities. JOHUD, for example, works through a network of 50 community development centres. Like the NHF, it is mainly active in rural areas, while the JRF's focus is on urban areas. The activities of the foundations include awareness campaigns, vocational training and skills development, child and family health care, the promotion of productive activities of women and micro-enterprise development as well as education and cultural programmes. All of the foundations address women in particular.

As for micro-credit, JOHUD and NHF have built up micro-enterprise development programmes for low-income groups, while the JRF concentrates on developing business skills by providing training to micro-business starters. The micro-credit programme of NHF was developed only recently (in July 1999). It is run in close co-operation with the newly established micro-finance institution *Jordan Micro-Credit Company* and offers credits ranging from JD 100 to JD 500.[89] The credit programme of JOHUD is much older; it was founded in 1991. It is managed on a decentralised basis by 24 community development centres, each of them administrating a fund of JD 11,500. The maximum credit sum is JD 1,000.[90]

Within their possibilities, the foundations have undertaken a wide range of poverty reduction measures. However, the foundations depend to a large extent on external financing and reach only part of the population because of the narrow eligibility

89 Mrs. Mitri Shahin, *Noor Al-Hussein-Foundation,* 19 February 2001.

90 Mr. Munif Abu Rish, JOHUD, 18 February 2001.

criteria of their programmes. Moreover, administrative overhead costs are high, limiting the programmes' potential outreach: JOHUD spends 56 % of its total budget on its own administration[91]. Finally, only part of the population is eligible, since the three institutions concentrate their programmes on women.

4.1.4 Subsidies

As in most other countries, a variety of commodities and services are subsidised by the Jordanian government. Apart from the provision of free education to every inhabitant of the country, subsidies for public health care and basic consumer commodities are the most highly relevant for social protection.

Commodities

Until the late 1990s, basic commodity subsidies were one of the central pillars of social protection policy. Foodstuffs, such as wheat, sugar, rice, barley, milk and meat, were universally subsidised – as were fuel, water and electricity. But the high costs represented an unsustainable burden on the government budget. Food subsidies alone amounted to JD 102 million or 3.9 % of GDP in 1990. These were successively replaced by food coupons, general cash transfers and means-tested transfers, and finally eliminated altogether in 1999.[92]

Only subsidies on flour and bread have been re-introduced. Their level is defined in such a way as to stabilise the price of bread in the local market. Annual spending for these subsidies did not exceed JD 15 million in 1999 and decreased to zero in 2000. But this was due solely to favourable world market conditions. The price of wheat is extremely low and as soon as it rises, subsidy spending will again begin burdening the government budget. Moreover, it has to be taken into consideration that the JD 15 million spent on subsidies in 1999 amounted to as much as 68 % of the NAF budget.[93]

Subsidisation of Public Health Care Facilities

The public health care sector is made up of the facilities of three different providers: the *Ministry of Health* (MOH), the *Royal Medical Services* (RMS) and the state universities (e.g. the *Jordan University Hospital*). Its total spending ranges between 3 and 5 % of GDP. All of the three systems are mainly funded by the government budget, which covers 80 to 85 % of total MOH and RMS spending and 60 % of the budget of the *Jordan University Hospital*, the rest being financed by social health insurance contributions (6 to 9 %) and user fees (6 to 40 % of total spending).[94]

Access to public health care facilities is free of charge for those insured with the CHIP, the RMS or the university hospital insurance programmes. The non-insured have to pay. However, user fees in MOH facilities are highly subsidised. The treatment of cancer or diabetes and kidney dialyses are completely free of charge.[95] All other treatments cost between 10 and 20 % of the respective treatments in private health care facilities, although the MOH's real costs are much higher.

These subsidies, however, do not favour low-income earners for two reasons. First, they are not targeted, instead benefiting all income groups. For the time being, they are financed by general tax

91 Mr. Munif Abu Rish, JOHUD, 18 February 2001.

92 Cf. IBRD (1994c), p. 131f.; IBRD (1999d), p. 19 and 32; IMF (1997c), p. 13.; Tzannatos (2000), p. 24.

93 Dr. Mohammad Abu-Hammour, *Ministry of Finance,* 23 April 2001. Cf. IBRD (1999e), p. 13. See also Tables B13 and B14 in Annex B.

94 See Table B15 in Annex B.

95 However, there is no legal claim to these treatments, so people cannot rely on treatment free of charge. Exemplary prices in MOH hospitals are: JD 0.5 for a usual consultation, JD 5.5 for thorax X-ray, JD 17 for a delivery, JD 20 for a one-week stay in hospital (everything included). Exemplary prices in RMS: JD 0.02 for a usual consultation. Exemplary prices in private hospitals: JD 250 for a delivery, JD 6000 for heart surgery, JD 1000 for a one-week stay in hospital (everything included).

revenues paid by the rich and the poor alike. Second, the total transfer to the insured is relatively high (two thirds of their treatment costs) compared with transfers to the non-insured (40 % of their treatment costs), but most of the insured are better-off persons. In 1999, the MOH spent JD 106 million for curative health care (after subtracting construction costs and costs for vaccination, medical education, etc.). Of these funds, 28.8 % are for the treatment of the non-insured (about JD 40 million), 21.3 % for persons insured under the RMS, 43.2 % for persons insured under the CHIP and 6.7 % for *green-card* holders. The return from the non-insured (only user fees) accounts for JD 16 million (60 % of spending), while the CHIP-insured contribute only JD 14 million (35 % of spending). [96]

The very poor can apply for a *green-card*, which entitles them to use all MOH health treatment services for free. The total number of *green-card* holders, however, does not exceed 4 % of the population, or 20 % of the poor (some 160,000 cards were valid in 2001).[97]

Public hospitals are a target of criticism because they tend to be overcrowded and their services are of poor quality. This finding was not unambiguously confirmed by the GDI household survey. Some interviewed households were even afraid of entering public hospitals.

4.2 Market-based Systems

The market offers alternative options for social protection for the Jordanian population. Saving in bank accounts and via commercial insurance must be considered market-based risk mitigation strategies, while borrowing from banks is seen as risk-coping. However, lower-income groups usually have no access to these protection instruments: They are either too costly or linked to conditions hard to fulfil by the poor and near-poor.

4.2.1 Private Insurance Markets

The role of private sector insurers in social protection is at present marginal. In 1999, 27 companies were registered with the *Insurance Regulatory Commission*, and they collected almost JD 100 million in premiums.[98] But their business is dominated by insurance lines which are not very relevant for the social protection of lower-income groups (maritime, aviation and motor vehicle insurance). Only fire, accident and life insurance contributes to the objective of social protection, but premiums are not affordable for poorer strata of the population. The better-off, on the other hand, are often covered by other insurance schemes.

Most commercial insurers offer life, fire, health and accident insurance, and some have motor vehicle insurance as well. Motor vehicle and life insurance account together for about 75 % of all premiums collected in 1999. Health insurance is generally coupled with life insurance and accounted for 15 % of total premium revenues. Some companies are about to offer new pension insurance products.

Life insurance is highly profitable for commercial insurers in Jordan. It accounted for almost 30 % of all premiums collected in 1999. But only 1.7 % of the country's households hold life insurance contracts.99 It is claimed that many of them buy life insurance for the sole reason that private health insurance was in the past coupled with life insurance.

Private health insurance offers very limited coverage as well. According to the results of the GDI household survey, health insurance ranks highest in the demand of all social groups in Jordan (see Table A28 in Annex A). No more than 134,000 Jordanians held private health insurance contracts in 1999. The major reason for this contradiction is the high premium level of private health insurers, which range from JD 51 to JD 155 per beneficiary and annum.[100]

96 Dr. Fakhri Al-Smairat, *Civil Health Insurance Programme, Ministry of Finance*, 4 April 2001.

97 Dr. Fakhri Al-Smairat, *Civil Health Insurance Programme, Ministry of Finance,* 20 February 2001.

98 See Tables B31 and B32 in Annex B.

99 Dr. Khaled Abu-Goura, *The National Ahlia Insurance Company,* 21 February 2001.

100 Cf. Hollander / Rauch (1998), p. 10.

Moreover, providers of private health insurance tend to limit their coverage to certain treatment categories, specified illnesses, or maximum benefits per annum or per illness. Most contracts fix considerable co-payments. Nevertheless, health insurance directly sold to clients is not very profitable, a fact which is due to the high administration and claim management costs in this insurance line.

However, health insurance is also offered by some of the country's larger companies and professional associations. Enterprises with a minimum of 100 employees are obliged to insure their employees with commercial health insurers or to cover all of their health treatment costs. The outreach of health insurance provided by these 'self-insured firms' is estimated to range between 390,000 to 650,000 insured persons.[101]

The professional associations not only concentrate on health insurance but offer pension insurance as well. The *Jordan Engineers Association*, for example, runs a survivors and work-disability pension insurance scheme. Enrolment is compulsory for all JEA members (45,000 in 2001) and the annual premium of JD 15 is included in the membership fee (JD 30). In case of the early death or work-disability of the insured party, his family is entitled to a lump-sum payment of JD 1,000 and a monthly pension of JD 60.[102]

Moreover, the *Jordanian Engineers Association* offers old-age and health insurance on a voluntary basis. The old-age insurance is doing well. It provides for old-age pensions after the age of 60 and a minimum enrolment term of twenty years. The insured can choose between three contribution levels, the pensions correlating with contributions paid and number of contribution years. The number of persons insured is 20,000. The offer is financially sustainable; the surplus is invested in Jordan.

While the *Jordanian Engineers Association* organised the old-age scheme on its own; since 1996 it has been co-operating with a private insurance company on its health insurance. In spite of this arrangement, the scheme suffers from low and unstable demand. Only 900 engineers have subscribed, while 2,500 persons were envisaged as a minimum number. The reasons are fourfold: First, the marketing campaign has failed. Second, the reputation of the insurance company in charge is bad. Third, the premiums fluctuate by up to 100 % from year to year due to yearly subscriptions and calculations, thus making long-term customer relationships more difficult. Fourth, many engineers are already covered by government health insurance programmes.

For most of the insured covered by the SSC or the CPP, the associations' schemes function as an additional provision for old age, early death and work disability. Some 35,000 Jordanian engineers, physicians, dentists and lawyers are enrolled in these voluntary or mandatory schemes.

Generally, private insurance schemes may co-operate with third-party administrators in processing medical claims and administering their health plans. The sophisticated techniques of the Jordanian administrators in managing medical claims has been able to substantially lower the costs and the premiums of their partner companies during the last few years.[103]

4.2.2 Saving

Saving in bank accounts is another risk mitigation strategy. The average Jordanian has deposits with banks of no less than JD 920 (84 % of per capita income)[104]. But these savings are concentrated among a small number of households. Only 14 % of all families and 4 % of poor families have any savings in formal financial sector institutions.[105] The latter often prefer to save with rotating savings and credit

101 Cf. Brosk et al. (2000), p.49; Hollander / Rauch (1998), p 11.

102 Mr. Dawoud Subeihi, *The Jordan Engineer's Association,* 15 March 2001; Mr. Mohammed Ahmad Nufil, *The Jordan Engineer's Association,* 19 March 2001; Mr. Samer Akroush, *Amman Insurance Company,* 14 April 2001.

103 Mr. Sameer Gammoh, *NatHealth,* 22 April 2001.

104 Own calculation based on CBJ (2000), p. 86.

105 Cf. Hanssen-Bauer / Pedersen / Tilnes (1998), p. 221.

associations together with their neighbours or colleagues.

The reasons for the low number of savings accounts are threefold: (i) during the second half of the 1990s, real interest rates on ordinary savings accounts were low. With inflation ranging between 2 and 4 %, interest rates on savings only slightly exceed the inflation rate. (ii) Domestic financial services suffer from a lack of confidence in the long-term stability of the Jordanian Dinar. (iii) Minimum deposit requirements, service commissions and other fees additionally hamper the access of the poor to savings products. However, religious considerations and a general distrust of banks may constitute more important explanations for the low demand for formal savings products.

4.2.3 Credit and Micro-credit

Total commercial lending is of a significant volume in Jordan. In 1992 about 18% of total commercial bank lending was granted to private households and consumer credits amounted to a total of about 13 % of GDP.[106]

For the poor, however, personal consumer credits are not available, because Jordanian banks charge relatively high interest rates and have rigid guarantor or collateral requirements, the latter peaking at more than 200 % of the credit volume.[107]

For this reason, micro-credit programmes have been established during the last years to satisfy the demand of lower-income groups for credit. Public institutions, UNRWA and NGOs have become active in the field. However, most of the programmes are not sustainable: They are not able to cover their costs because of low repayment and interest rates.

The private sector has offered micro-credit since 1999, when the USAID financed *AMIR Programme* (‘*Access to Microfinance and Improved Implementation of Policy Reform*’) built up four micro-finance institutions (MFIs): the *Ahli Microfinancing Company*, the *Cooperative Housing Foundation*, the *Jordan Micro Credit Company* and the *Microfund for Women*. The institutions reached sustainability and repayment rates of more than 90 % in only one year. Today they are able to cover their running costs through the interest paid by clients. For 2002, *The AMIR Programme* plans to reach 25,000 active borrowers yearly.[108]

However, the MFIs’ clients are not poor. The credits are *de facto* targeted to the lower-middle income class. The break-even point for MFI credits to be profitable is JD 700. For this reason, all the four institutions, having started from a credit size level of JD 350 to 800, nowadays prefer to provide credits markedly above JD 700. By doing so, their focus has shifted from business starters to clients who have already built up small businesses and are now seeking to expand them. Moreover, the MFIs’ interest rates are far above market levels, which is another obstacle to access for low-income groups.

Although the MOSD, UNRWA and commercial banks are the best-known credit providers in Jordan, borrowing from relatives remains far more widespread than loans from all of these institutions. According to the results of the GDI household survey, 75 % of all loans stem from relatives. The major reasons for this preference are the rigid eligibility criteria and high interest rates of commercial and public credit providers.[109]

4.3 Programmes of the International Community (UNRWA)

The *United Nations Relief and Works Agency for Palestine Refugees in the Near East* (UNRWA) was established in 1949 to provide assistance to Palestin-

106 See Table B30 in Annex B. More recent data are not available because of a change in the *Central Bank of Jordan’s* classification of credits for its regular documentation.

107 Mrs. Terry Kristalsky, *The AMIR Programme,* 31 October 2000.

108 Mr. James Whitaker, The *AMIR Programme,* 21 February 2001. Cf. AMIR (2000b).

109 Cf. also Khairi / Nasir (1995), p. 46.

ian refugees in the Arab Near East. In 1999, of the three million Palestine refugees living in Jordan, 1.5 million were recognised as 'registered refugees' and hence eligible for support from UNRWA.[110]

Today UNRWA's activities are grouped into three social programmes: relief and social services, health services and the education programme. All of these services are provided to registered Palestine refugees only, who represent no more than 35 % of the entire Jordanian population.

The most important component of UNRWA's relief and social services is the *Special Hardship Assistance Programme*, which provides regular cash and in-kind food support to needy registered refugee families. Moreover, the programme provides occasional cash assistance for shelter rehabilitation. In 2000, 5.5 % of all registered refugees (205,114) were eligible as special hardship cases.[111] The regular assistance is provided three times a year. UNRWA's social workers distribute the assistance to eligible families for three subsequent days in each quarter. During this time, one family member has to cue up to be given a parcel containing some basic food commodities and some cash (the total value being about 30 JD per person).

UNRWA's *Poverty Alleviation Programme* also forms part of the relief and social services. In co-operation with the *Jordan Bank*, it provides social credits to 1,500 refugee families a year to finance small business projects. The budget of the credit fund is about JD 2.5 million.[112]

UNRWA's health services are provided through 23 health care centres and three mobile dental units. All registered refugees are eligible for free primary health care. If further treatment is needed, UNRWA refers patients to hospitals (government hospitals in general and private hospitals for complicated pregnancies only) and reimburses 75 % of the costs. However, the number of referrals to hospitals has been declining significantly over the past ten years.[113]

UNRWA's education programme runs special schools for Palestine refugees; these, however, have the same curricula as the government schools. Most of them are in refugee camps. Apart from this, UNRWA provides university scholarships and runs eight centres that cater for pupils with learning difficulties.[114]

The GDI household survey found that the beneficiaries of UNRWA's social programmes are content in general with the education and health services provided. However, the hardship assistance was criticised for the humiliating distribution procedures and waiting times for assistance parcels. Moreover, decreasing frequency, reliability and real value of assistance were reported.

4.4 Programmes of Non-Governmental Organisations

A substantial number of non-governmental organisations (NGOs) are active in the field of social welfare; these can be classified as national and international NGOs. The major difference is not in the focus of their activities but in their status and registration processes. National NGOs have to register with one of the central government's ministries. According to the *Jordanian Law for Associations and Social Organisations* (Law 33 from 1996), social welfare NGOs are obliged to register as charitable organisations with the *Ministry of Social Development* (MOSD). The registration process is expensive, tedious and time-consuming. Applications have to be accredited by several authorities. Even after successful registration, charitable organisations are constantly at risk of being liquidated by

110 Mrs. Maha Abdulhamid, UNRWA, 22 February 2001. Cf. UNRWA (1999), p. 41. Only refugees from 1948 are eligible for registration with UNRWA. Only refugees who left Palestine in 1967 have the status, persons displaced within one state thus are not eligible as registered refugees.

111 Cf. UNRWA, Jordan Field (2000d), p. 8.

112 Mrs. Maha Abdulhamid, UNRWA, 22 February 2001. Cf. UNRWA, Jordan Field (2000d), p. 18.

113 Cf. UNRWA (1998), p. 6; UNRWA, Jordan Field (2000d), p. 4.

114 Cf. UNRWA, Jordan Field (2000d), p. 1.

arbitrary decisions made of government officials. In 1999, 756 national charitable organisations had registered with the MOSD.[115]

The *General Union of Voluntary Societies*

The *General Union of Voluntary Societies in Jordan* (GUVS) is the umbrella organisation for most of the social welfare NGOs in Jordan.[116] GUVS was built up to co-ordinate the activities of small grass-roots NGOs and represent their interests vis-à-vis the government. GUVS is entitled to receipts from the National Lottery, which are distributed among its member NGOs. However, in 1996 only 19 % of the income of GUVS was generated by the lottery,[117] the rest of the budget being financed by donations. Co-operation between the members of GUVS remains rather limited. Most NGOs have only limited organisational and operational capacities and outreach. Services provided by all of GUVS members reach no more than 300,000 Jordanians.[118]

Most NGOs focus on women's literacy and education courses, family planning and programmes for handicapped children. Some NGOs run micro-credit funds. In 1999, 46 NGOs financed some 1,200 micro-business projects.[119] Others, such as the *Jordanian Women's Union* or the *Jordanian National Commission of Women*, emphasise the role of women in society.[120] Some NGOs, however, provide social assistance. In 1998 they reached about 12,000 needy Jordanian families, with average per capita transfers (JD 167 per capita and annum) ranking lowest among all social assistance providers in Jordan.[121]

115 Cf. DOS (1999), p. 160; GDF (2000), p. 5.

116 Cf. Hermann (2000), p. 73.

117 Cf. El-Khatib (1996), p. 26.

118 Cf. Hermann (2000), p. 61.

119 Cf. IBRD (1999d), p. 34. For details see Tables B23 and B28 in Annex B.

120 Mrs. Nadia Shamrukh, JWU, 20 February 2001; Mrs. Amal Sabbagh, *The Jordanian National Committee for Women,* 25 February 2001.

121 See Tables B24 to B28 in Annex B.

Affiliates of International NGOs

About 30 international affiliates of NGOs are working in Jordan, the most important of them being the *Near East Foundation* (NEF), *Care International*, *Save the Children* and *Caritas*. Their programmes are similar to those of the national NGOs. However, the focus is less on social assistance than on small business credits, and they are more active in rural areas.

4.5 Group-based Systems

Rotating Saving and Credit Associations

Rotating saving and credit associations (ROSCAs) are very popular in Jordan. Every month their members pay a fixed contribution to the group leader, who on the spot pays out the collected funds to one of the group members. Every month the fund turns to different member.

ROSCAs are very popular in Jordan. They are referred to as *Ǧama^{c}iyyât Fardiyya*. According to the results of the GDI household survey[122], half of all urban households have participated in a *Ǧama^{c}iyya*. Most of the participants contribute between JD 10 and 50 per month and use the benefit repayment to repair their houses or buy new equipment, durable consumer goods (e.g. a refrigerator) or clothes. While women tend to build up ROSCAs with neighbours or friends, men prefer to share them with colleagues. The *Ǧama^{c}iyyât* are more common in urban than in rural parts of the country, where savings tend to be invested in livestock.[123]

122 See Table A15 in Annex A.

123 Cf. Hanssen-Bauer / Pedersen / Tilnes (1998), p. 221; NEF (n.d.).

Box 4: The *Falūǧī*-Fund

The *Falūǧī* -Fund was established in the end-1960s to support needy refugee families from *Al-Falūǧe*, a small town in the former Gaza Governorate. Like other funds of its kind, it is self-organised by the Palestinians from *Al-Falūǧe* and based on a strong solidarity felt among the families stemming from the same town.

Currently about 3,500 members from 15 extended families *(Ḥamūlāt)* are contributing on a regular basis. The fund is registered as a charitable organisation with the MOSD and is also a member of GUVS. It runs five branches in Amman, Irbid, Baq^{c}a, Zahab and Madaba and has its main office in Amman. It is headed by a Board of Directors, which is elected every two years by the General Assembly.

For its contributing members, the fund offers only limited benefits: a 'wedding hall', loans for the education of their children, a cheap kindergarten in Irbid, a 'funeral car' and – in some branches – the provision of food in case of the death of a family member.

In addition and more important, the fund also runs a social assistance programme targeted to needy families. Depending on certain characteristics of the households (e.g. income, family size, number of work-disabled, employment status, endowment with assets), a regular monthly sum is paid, which can add up to JD 40. It is noteworthy that eligibility for this kind of support is not restricted to current or former membership in the fund; all needy families that can prove their origin from *Al-Falūǧe* can be supported.

These benefits are mainly financed through a yearly membership fee of JD 3-4. Membership is restricted to adult males. The contributions are collected family-wise, one family member being responsible for collection. Non-payment for two consecutive years results in exclusion from the fund. Other sources of funding are donations, fees and some self-funding from investments.

The *Ǧama^{c}iyyât* serve as an effective informal means of cheap borrowing during crisis or of saving to provide for transitory social shocks in the future. Repayments can be timed so as to coincide with anticipated or even unexpected shortages of cash. For example, a person in need can be granted the first repayment. However, the *Ǧama^{c}iyyât* are not insurance, because benefits always equal contributions and risks are not pooled. Moreover, they are not a helpful instrument to provide for long-term crises, since the loan granted is repayable.

Mutual Insurance Associations

Mutual insurance is less popular than ROSCAs. Some elements of insurance can be found, however, among the widespread 'family funds' and the solidarity funds shared by Palestinians originating from the same town or village in Palestine. In the GDI household survey, 20 % of the families reported participating in a family fund, and almost half of them have been in a family fund. Contribution levels of family funds are low (about 5 JD per annum), and contributions are usually paid by the working males only. Most funds provide assistance to family members for weddings, births, studies, or funerals.

The concept of solidarity funds shared by Palestinian families from the same origin is very similar. Each family head pays a small annual contribution into a fund that provides assistance to its members in specified cases. However, these funds are sometimes organised as NGOs, and the element of solidarity is important. Hence these funds can also be seen as a means of transferring donations to the needy (see Box 4).

4.6 Household-based Systems (Solidarity Networks)

Solidarity networks are operate at the household level and are based on solidarity among the members of social groups. Such networks can be based on two principles of solidarity: mutual and philanthropic solidarity. In the first case, support is provided on the basis of reciprocated assistance, while in the second case it is motivated by humanitarian or religious values.

Table 8: Support of Jordanian Households by Relatives and Friends, Colleagues and Neighbours

(%)	support by relatives		support by friends, colleagues and neighbours	
	support given	support received	support given	support received
Financial support	14.6	12.5	3.2	0.8
Other than financial support	23.8	11.1	N/A	N/A
Assistance in household	13.6	7.2	9.1	5.0
Assistance in productive activities	2.6	0.9	2.2	0.5
Possible in-kind support	4.5	1.2	3.1	0.5
Other support	5.6	2.5	5.5	2.5
Total	23.9	20.3	19.3	8.6

Source: Hanssen-Bauer / Pedersen / Tiltnes (1998), Table 8.8

Mutual support networks are among the most important social protection systems in Jordan. In 1996 as many as 38 % of the population reported providing some kind of assistance to relatives, neighbours or friends, while 26 % received assistance (see Table 8). However, when it comes to financial assistance (excluding in-kind assistance and support within the household), no more than 13 % of the households report receiving support, while 14 % provide support. The total volume of private cash transfers received by Jordanian households in 1997 amounted to 2.1 % of GDP.[124]

Mutual support within the core family plays the most important role in social protection (see Table 8). One fifth of all households in Jordan receive support from relatives. For 6.1 % of households, family support is the most important source of income, while public pensions are the most important source for 5.9 % of households only. In most cases the support is given to typical risk groups such as women, the old or people outside the labour force.[125]

Meanwhile, it is much less common to provide support to more distant relatives (in the *Ḥamūla*) or even non-relative neighbours or friends. While almost 13 % of households receive financial assistance from relatives, less than 1 % are supported by neighbours or fiends.

Often, mutual assistance is referred to as 'informal insurance'[126] because households that provide assistance to others invest in social capital and hope to be supported once they are in need. For the recipient, however, asking for assistance from neighbours or friends is a risk-coping strategy which plays an important role among low-income urban groups in Jordan.

However, providing or asking for mutual assistance is not an effective means of social protection: First, it does not provide protection against the long-term impact of social risks. Mutual support is based on reciprocity. Hence the recipient is expected to repay the assistance on a later occasion, especially when the donor is not a relative but a friend or neighbour. Such reciprocation of assistance is possible for a dismissed person hoping to find a new employment. But it is not possible in cases of work disability or old age. Even relatives may stop their support in the long-run. Second, mutual assistance is not reliable, because there is no legal entitlement to such assistance. Hence investing in social capital ('informal

124 Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998), p. 282; IBRD (1999d), p. 33f.

125 Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998), p. 260.

126 Cf. Lund / Srinivas (1999), pp. 54 and 68 - 72; Morduch (1999); Wright (1999).

insurance') is a rather unsafe risk mitigation strategy. Third, mutual assistance is limited in scope, especially for the poor, because most of their relatives, friends and neighbours are poor themselves: "*Social protection cannot be left merely in the hands of the informal traditional risk-management structures. There are hidden costs... and, it is necessary to be wary of the traditional optimism about informal networks and institutions.*" [127]

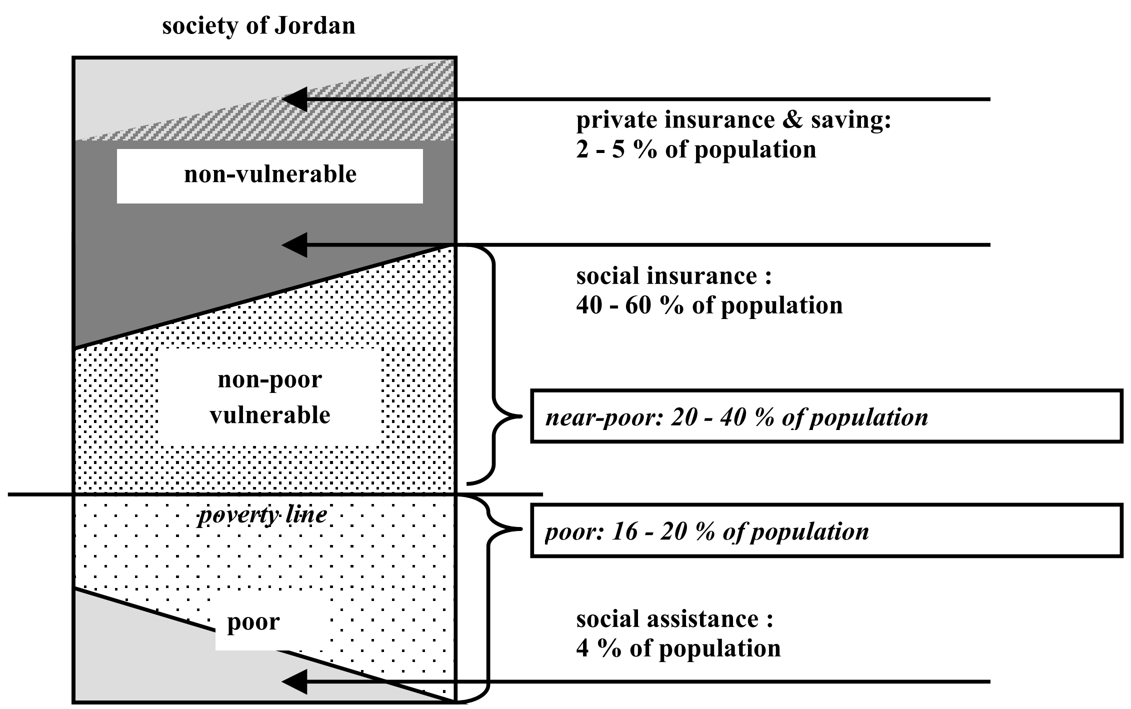
Philanthropic assistance to the needy, though much less important than mutual support, plays an important role in Jordanian society, and this fact has, of course, much to do with the influence of Islam. The *zakat*, a tax-like alms, is only one expression of Islamic humanitarian solidarity. Wealthy persons are expected to pay a fixed share of their assets to the poor, disabled, orphaned or other needy persons. This payment may be given indirectly (to official *zakat* committees) or directly.

5 The Current Gap in Social Protection in Jordan and Strategies for Coping

Despite the great number and variety of social protection systems, a considerable part of the Jordanian population remains unprotected. A substantial number of Jordanian households are vulnerable to the occurrence of risks. They are not covered by any risk mitigation scheme and find no way to diversify their risks. These are the 'near-poor,'[128] caught in the gap in social protection between social insurance and social assistance (see Figure 5).

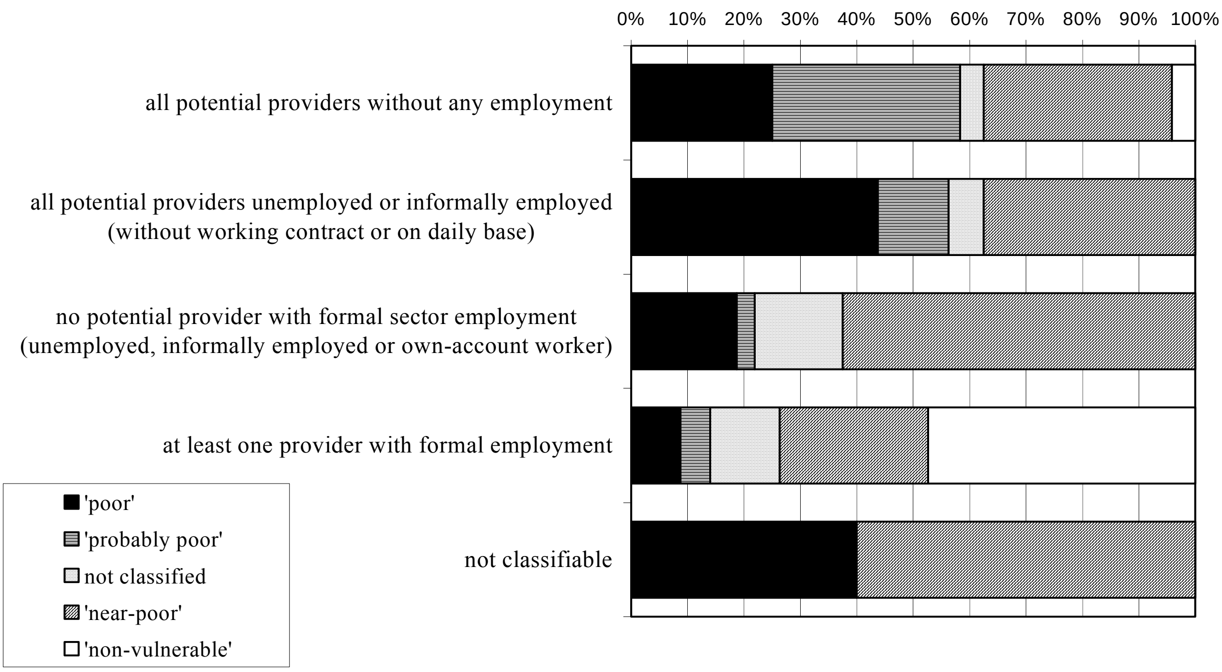
These 'near-poor' do not necessarily have low incomes close to the poverty line (see p. 5). They may have an income above the poverty line and yet be vulnerable to social shocks. However, the GDI household survey suggests empirical evidence that in Jordan, as in many other countries, vulnerability and low income are closely interrelated. The major-

Figure 5: The Current Gap in Social Protection in Jordan



127 Del Conte (2000), p. 5. Cf. also Morduch (1999), pp. 189 and 194.

Figure 6: Relation Between Poverty, Vulnerability and Nature of Employment



Source: GDI household survey (see Table A17 in Annex A)

ity of low-income earners are vulnerable to risks, and most of the unprotected have an income just above the poverty line. No household from the survey sample classified as 'non-vulnerable' was classified as 'poor' for certain, and only six households were suspected to be poor (see Annex A).

The correlation between vulnerability and low income can be traced back to four factors:

— There is strong evidence that the near-poor largely rely on income from the informal sector and are thus not covered by public social insurance.

— Private insurance is far too expensive for low-income earners (the near-poor as well as the poor).

— Social assistance programmes explicitly focus on the target group, but the programmes are limited in scope and scale.

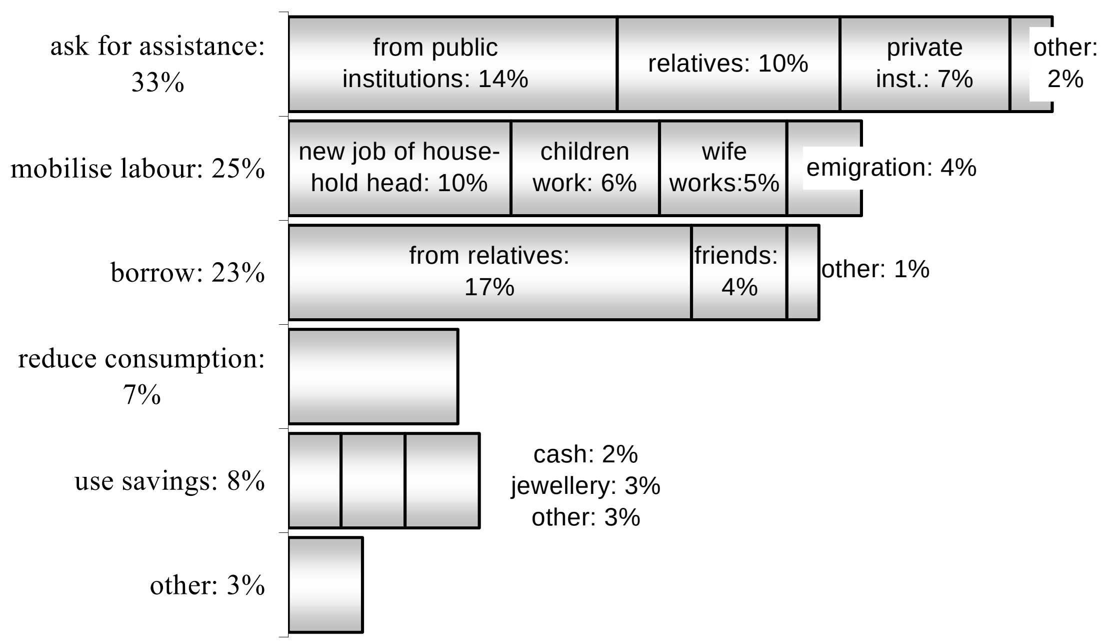
— Among low-income households, the ability to support members in need is limited

Moreover, the results of the GDI household survey suggest a strong correlation between informal sector employment and unemployment on the one hand and vulnerability on the other. More than half of the households interviewed, with all of their potential providers either unemployed, day labourers or informal sector employees, were classified as 'poor' or 'probably poor,' while the same applies for only a fifth of the self-employed and a seventh of households with formal sector employees. As for the self-employed, two thirds were found to be 'near-poor', while the same applies for only about a third of the unemployed and the informal employees and for a fourth of formal sector workers (see Figure 6) .

When social shocks occur, the near-poor are forced to cope with their effects. The GDI household survey found that the most widespread coping strategy among the urban poor and near-poor in Jordan is to ask for assistance or loans from relatives or, if there are no relatives capable of providing support, from public social assistance agencies (see Figure 7). The

128 Or *'vulnerable non-poor'*; cf. Sebstad / Cohen (2000), pp. 4, 9 and 33.

Figure 7: Coping Strategies of East Amman Households in Cases of Social Crisis



Classification as per Sebstad / Cohen (2000), p. 11.

Source: GDI household survey (see Table A20 in Annex A)

outreach of social assistance, however, is very limited. According to the results of the GDI household survey, far less than half the poor are granted social assistance (failure of exclusion), while only a few of the beneficiaries are not poor (failure of inclusion).[129]

The second most important coping strategy of the urban poor and near-poor is to mobilise new or additional income from labour: Either the family head seeks employment himself or his wife or sons take up employment. Often children of minor age are forced to leave school to contribute to household income by means of small, informal jobs. Some families report seeking to migrate to find employment abroad.

A third coping strategy, finally, is to use savings (cash savings, gold or jewellery), while few of the respondents would be willing to draw from their physical stocks (e.g. sell their shop). Of course all of the households would, at some time, have to reduce or modify their consumption.

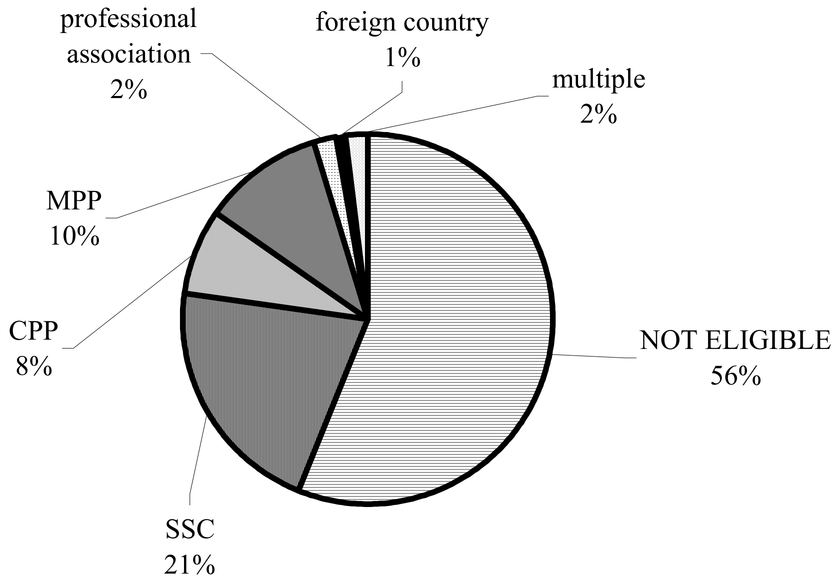
This chapter is intended to assess the gap in social protection for each major social risk and to discuss the importance of different coping strategies in more detail.

129 No more than 12 % of all of the interviewed households reported receiving any kind of social assistance. This share was only 4 % for the households classified ‘non-poor’. But it was also low for the households classified ‘poor’ and ‘probably poor’ (36 and 26 % respectively), cf. Table A24 in Annex A.

5.1 Old Age, Work Disability and the Death of a Main Provider

Nearly 50 % of the Jordanian population is vulnerable to social risks like old-age, work disability and the early death of the household's main provider. Although life-cycle risks are among the most important risks in Jordan, no more than 57 of 139 households (41 %) covered by the GDI household survey reported being eligible for old-age, survivor or work-disability pensions, while 78 households (56 %) were found to be vulnerable to these life-cycle risks (see Figure 8).

Figure 8: Eligibility of East Amman Household Heads for Pension Benefits



Source: GDI household survey (see Table A22 in Annex A)

The GDI's findings are confirmed by the results of more representative quantitative surveys: At most, 60 % of the Jordanian households are insured against old age, work disability and the death of the main provider. The SSC covers 26.4 % of the labour force, 8.8 % enrol with the CPP and the MPP adds approximately another 23 % (see Table B17 in Annex B). However, some employees may have been double-counted. Thus far, no private pension insurance is available in Jordan and the coverage of private life insurance is marginal (1.7 %). Only a small part of the population can afford to pay the private companies' contribution rates.[130]

A survey of the *Centre for Strategic Studies*[131] from 1996 found that on 53.6 % of the employed have any pension insurance, which would amount to about 46 % of the labour force. The corresponding figure was much lower in rural (28.8 %) than in urban areas (49.7 %).

Social assistance cannot replace pension insurance. Of the GDI sample's 139 households, only 19 receive any kind of social assistance (see Table A15 in Annex A). The only information on the degree to which these groups benefit from public social assistance schemes is that 33.1 % of the NAF beneficiaries are widows and 25.1 % are old-aged. But with the total outreach of these programmes limited to 3.6 % of the total population and the benefits ranging from JD 30 to JD 82, their impact is in any case

130 Dr. Khaled M. Abu-Goura, *National Ahlia Insurance Company,* 21 February 2001.

131 Cf. CSS (1996a), p. 117.

negligible.[132] Besides, some of the work-disabled benefit from one of the NGOs' specialised income-generating projects or disability programmes. NAF, UNRWA, the *zakat* committees and the MOSD provide support to a small number of the old-aged, work-disabled, or widows.

Asking for family assistance or social assistance is the most widespread strategy of Jordanian urban households for coping with life-cycle risks like old age, work disability or the death of the main provider. 43 households from the GDI sample have suffered from a severe decline in economic well-being in the past because these risks occurred. A fourth of them reported having asked for a loan or grant from their relatives and having applied for social assistance as their first attempt to cope with the risk (see Table A21 in Annex A).

In fact, the GDI household survey found a considerable number of Jordanians relying on the support of their children in old age or the support of relatives when the main provider had died. The most important reasons for this are the low level of social assistance, the time-consuming application procedures and the rigid eligibility criteria of the public schemes. However, family networks should not be seen as a substitute for formal protection provisions, because there is no legal entitlement to such assistance and because the relatives of the poorest are often poor themselves, and so the volume of their support is small.

5.2 Divorce and Separation

By law, women are entitled to claim financial support from their husbands once they are divorced. Often, however, divorced or separated women do not present such claims, and men are often reluctant or unable to live up to their duties. These men have no income themselves, disappear or fail to respond until arrested by the police.

No insurance covers the risks of divorce or separation. The GDI household survey confirmed that women affected by these risks have no choice but to apply for assistance from their relatives, friends or neighbours or public social assistance institutions. However, the social standing of divorced and separated women being low, some families refuse to support them. 9.9 % of the beneficiaries of NAF are divorced or evicted women (see Table A21 in Annex A).

5.3 Unemployment and Underemployment

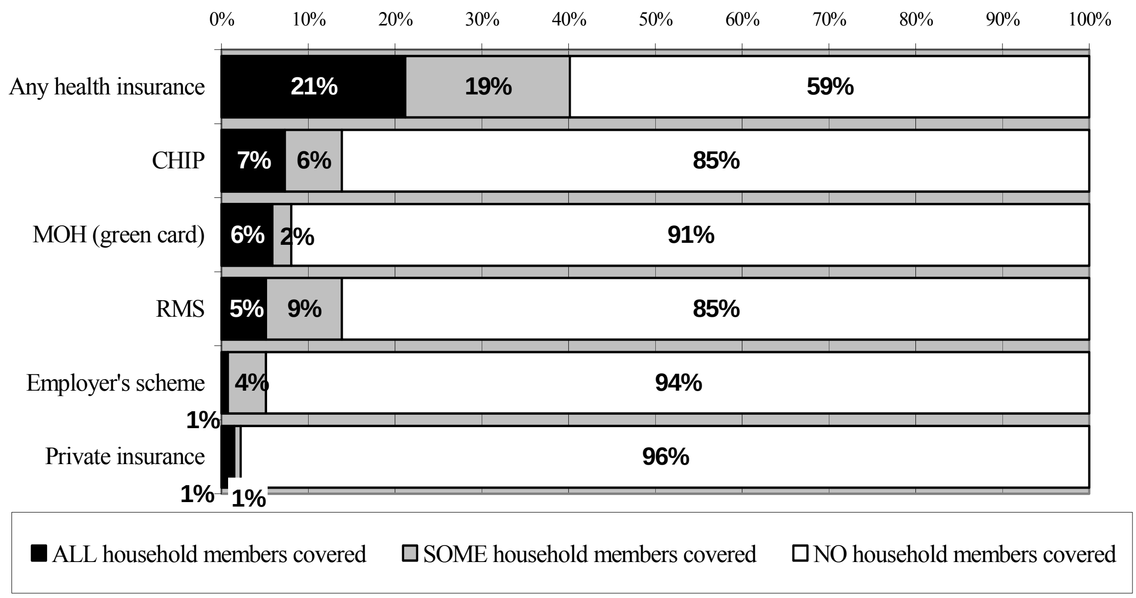
There is hardly any social protection system in Jordan that covers the risk of unemployment. Low-income earners especially are completely vulnerable to the loss of their employment. There is no unemployment insurance in Jordan. Only jobs in the public sector are reported to be 'safe': Government employees and the members of the armed forces (a fourth to a third of the labour force) face hardly any risk of being laid off. But no job security legislation is applicable for private sector employees. The likelihood of being laid off is much higher for employees without any kind of work contract. Of the GDI sample, 25 % of household heads were public sector employees or pensioners who do not incur the risk of being laid off. Only 5 % were private sector employees with a written or oral working contract.

The vulnerability of households to the risk of unemployment, however, depends on more than the probability of being laid off and losing their insurance coverage. Some households have diversified their risks in such a way as to be able to cope easily with the effects of these risks occurring. 21 % of the households from the GDI survey reported having no working contract but multiple sources of income, so that the loss of one job would have limited negative effects. 50 % of household heads were unemployed or employed though completely vulnerable to the risk of losing their employment (see Table A5 in Annex A).

Apart from that, the GDI household survey sheds light on the fact that a very high share of the working population is active in the informal sector. 63 % of the household heads from the sample had employment and 59 % out of them were categorised as

132 Cf. IBRD (1999e), pp. 15f.

Figure 9: Health Insurance Coverage of East Amman Households



Source: GDI household survey (see Table A22 in Annex A)

'informal sector workers': 43 % were self-employed, 6 % day labourers and 10 % employees without a working contract (see Table A14 in Annex A). However, even though the sample reflects quite well the income profile of Jordanian towns in general, it has to be kept in mind that the survey was conducted in East Amman only, where informal economic activities are reported to be overrepresented.

It is even difficult for Jordanians to obtain any support once they are laid off. Few of the unemployed are entitled to social assistance. Most public programmes, like for example NAF, exclude families with male members of working age from eligibility, even if these men are unable to find any employment. The only public programmes directly addressing unemployment and underemployment are the social credit programmes of the DEF and the NAF. Both offer social credits to finance small business projects and vocational training.

The most common strategy used to cope with unemployment is to mobilise labour. This fact is highlighted by the results of the GDI household survey: Most household heads simply try to find new employment, while others would be prepared to migrate to find a job abroad or have their wives or sons start working. Alternative strategies are to borrow from friends or neighbours, take out a bank loan to run a small business, or apply for social assistance (see Tables A19 and A21 in Annex A).

5.4 Health Risks

Compared with other countries in the Arab world, Jordan has a performing health system that is accessible to the entire population, though it is provided by different institutions of the public, private and non-governmental sectors.

Nevertheless, illness is one of the most important risks. Nearly one fifth of the households interviewed during the GDI household survey have suffered a decline in economic well-being as a result of a household member falling ill and being in need for medical treatment (see Annex A). Although some other risks have more drastic financial effects, medical treatment constitutes a serious financial burden for the Jordanian poor and near-poor. This fact is due to three reasons: First, the Jordanian poor and near-poor are rarely covered by health insurance (see Figure 9). Second, health risks occur quite frequently. The GDI household survey revealed that almost every household has ever faced social shocks caused by health risks. Third, illness affects not only a person's economic situation but his ability to generate labour income and his general well-being as well.

Health Care Provision

The Jordanian health care sector is made up of public and private health care facilities. Private health services are asked for by clients of commercial health insurance companies, employees of self-insured firms and households willing to pay the expensive user fees. User fees are the major source of finance of private clinics and hospitals, while compensation payments from private insurance companies constitute only 20 % of their receipts (see Table B15 in Annex B).

The public health care sector breaks down into three systems: the government health care facilities administered by the *Ministry of Health* (MOH), the *Royal Medical Services* (RMS) and the *Jordan University Hospital* (JUH).[133] All of these are predominantly financed by government budget subsidies (60 – 80 % of total receipts), social health insurance contributions and user fees (20 - 40 %) being of much less importance.

Protection against Health Risks

Some 50% of the population remains vulnerable to health risks. The GDI household survey found 59 % of the interviewed urban households have no health insurance (see Figure 9). The corresponding data of more representative surveys, however, are much lower. Their estimate of overall health insurance coverage in Jordan range between 50 and 80 % of the population (see Table B15 in Annex B). Most of these figures, however, include Palestinian refugees eligible for UNRWA's health service programme, which can hardly be considered health insurance.[134] This does not provide much more than very basic health care. Health insurance coverage estimates are much more in line once the beneficiaries of UNRWA have been deducted from the total number of Jordanians reported to have health protection. In this case, all figures, with one single exception, are in the range between 50 and 60 %. However, coverage is much higher in urban than in rural areas (70.2 % and 46.7 % of employees only, respectively).[135]

Out-of-pocket spending for health care and drugs represents a high burden for the Jordanian poor and near-poor, because they are rarely covered by health insurance. The only formal health protection systems catering for the poor are those of UNRWA, the MOH and a negligible number of NGOs. Depending on health insurance coverage, it is possible to distinguish seven different groups of the population:

— Members of the armed forces and their relatives (including parents) are treated for free at RMS and MOH health care facilities. They constitute 25 to 35 % of the population and pay no more than a monthly contribution of JD 1.5 per month and employee.
— Students and employees of the Universities of Jordan and Yarmouk and municipal servants of Amman (1 to 2 % of the population) are provided free treatment at the university hospitals.
— All civil servants and their dependants (21 % of the entire population) have to enrol with the CHIP. They contribute about 1 % of their salary to the CHIP and are entitled to use MOH facilities for only symbolic fees.
— Apart from these, the MOH allows a limited number of households to use its facilities for free if they hold a *green-card*. *Green-cards* are issued for three years for the very poor (all NAF beneficiary households and all households with a monthly income below JD 50), for registered blood donors and for officially recognised handicapped persons. *Green-cards* also entitle

133 Cf. Brosk et al. (2000), Table ES-1.

134 Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998), p. 189.

135 Cf. CSS (1996a), p. 111.

their holders to highly subsidised medicines (0.1 JD per subscription) from public pharmacies. In 2001 some 160,000 Jordanians had *green-cards*, which amounts to 3 % of the population or 15 % of the poor.

— Registered Palestine refugees (5 to 21% of the population[136]) have free access to the UNRWA health system. But the range of services provided by UNRWA has been substantially reduced to a small number of treatments (basic health care and mother-and-child services, see pp. 37 - 38). UNRWA patients used to be transferred to MOH or private hospitals for in-patient care, and these hospitals' fees were borne by UNRWA. However, the number of referrals has dropped to almost zero, and it has become very difficult for even very poor refugees to obtain approval to be treated at hospital for free.

— Some 5 to 12 % of the population are insured with commercial insurance companies. These include, on the one hand, the employees of large-scale enterprises and the members of professional unions, who benefit from favourable group insurance arrangements and, on the other hand, the direct clients of insurance companies. These groups of the population are usually entitled to refer to private health care providers but all of them are from higher or higher medium income classes.

— The rest of the population has to pay for every kind of health treatment. It is true that the user fees in most of the MOH hospitals are highly subsidised by the government and the treatment of diabetes and cancer is completely free of charge for every resident. Moreover, in cases of acute illness households with a monthly income of up to JD 250 can apply to the Royal Court for temporary exemptions from medical costs. In 2000 some 12,000 exemptions of this kind were approved.[137] Treatments in MOH hospitals, however, are reported to be of very low quality, and in many cases no beds are vacant.[138] Clients have to wait or look to the private sector, where they are charged high fees for even entering hospital.

Coping with Health Risks

In cases of illness, most of the urban poor and near-poor ask their relatives, neighbours or friends for assistance to cover their health treatment costs. Others apply for free treatment at the MOH facilities or social assistance from public institutions or non-governmental organisations. Many households, however, have to dissolve their small savings, sell assets (jewellery) or borrow money from relatives or credit institutions (see Table A21 in Annex A).

5.5 High Number of Children

Social protection instruments which aim specifically at protecting families with a high number of children, are non-existent in Jordan. Only some of the households affected benefit from social assistance and have free access to the subsidised health and education sectors. The GDI household survey found that urban households with a high number of children seek to cope with their situation by applying for social assistance and reducing consumption expenditures. Some children from poor families have to drop out of school to start work.

5.6 Low Education

Jordanians without or with only little schooling and training face far-above-average risks of falling into poverty but However, there is no social protection strategy could address this risk. Rather, it is within the scope of education policies to establish preventive measures aimed at raising the education level of the population.

136 See Table B15 in Annex B.

137 Dr. Fakhri Al-Smairat, *Civil Health Insurance Programme,* 20 February 2001 and 4 April 2001.

138 Dr. Hana' Jaber, *Centre d'études et de recherches sociales sur les pays du Moyen-Orient,* 22 April 2001.

Although basic education is free of charge in Jordan, a large share of Jordanians have not passed primary school finals. Children often have to quit school. Others are not able to spend enough time on their homework because their families want them to work. Aware of this problem, some NGOs provide assistance to children in doing their homework. Most of these programmes, however, focus on special groups of the population such , e.g., as disabled children. Some institutions also provide university stipends.[139] However, supporting academic schooling meets neither the needs of the poor nor the demands of the labour market. Only secondary schooling and vocational training can extract the poor from the education trap

139 See Table B28 in Annex B.

Part III: Reform Options

6 Micro-Insurance in Jordan

Against the background of the considerable gap in social protection in Jordan and the high number of households vulnerable to risks, the question is what can be done to reform social protection in Jordan and to extend its coverage to those currently unprotected.

Alternative strategies have been outlined in Chapter 2, and the objective of this chapter is to discuss their respective advantages and the feasibility of micro-insurance in the concrete case of Jordan.

We found that it is recommendable to establish micro-insurance in Jordan. Micro-insurance is a promising approach to bridging part of the gap in the present social protection system, because such insurance meets the capacities and needs of those who are left out by the operating schemes. However, this is not a panacea and will certainly not be able cover the entire population of Jordan. For this reason, both other strategies, reforming social insurance and extending coverage and broadening the outreach of public social assistance, are equally important. All three strategies ought to be pursued together to respond to the specifics of all social groups: the poor, the near-poor and the non-poor.

This chapter starts out with an analysis of the potential of the three major options for extending the coverage of social protection in Jordan (6.1). It turns then to the question of whether micro-insurance can be designed in such a way that it meets the needs of this study's target group: the urban poor and near-poor. It examines the framework conditions of micro-insurance in Jordan (6.2) and the needs and demands of the target group (6.3) and discusses the design of a potential micro-insurance product (6.4), the role different actors can play in a micro-insurance model (6.5) and the opportunities and limits of such a model (6.6).

6.1 Options for Extending Social Protection Coverage

6.1.1 Extending the Coverage of Social Insurance

The first-best option to improve the social protection of those that lack access to adequate risk management strategies is to extend the mandatory legal coverage of the *Social Security Corporation* (SSC) to all groups of the employed. It is the SSC's original task to protect all citizens from the impact of future risks, and such a solution would have three advantages from the point of view of the insured with respect to voluntary contributory insurance schemes such as micro-insurance:

— It is cheaper, because the administration and distribution channels do not first have to be built up.

— The SSC has long years of experience in designing and pricing insurance contracts and in administering a large client base .

— Membership with the SSC is mandatory, making re-distribution between income groups possible, while voluntary schemes are at risk of selecting not only bad risks but also only the poor.

But it would take years and years to cover all employees under the statutes of the SSC because modifications in legislation in Jordan tend to be very slow. Moreover, it would be extremely difficult to check informal sector worker enrolment and monitor compliance.

Apart from that, it is not recommendable to extend the mandatory coverage of the SSC unless it has first undergone substantial reforms, restoring its financial position. Such reforms would have to address the SSC's overly generous early-retirement regulations and minimum pension provisions, revise the benefit formula and reform the current low-yield investment policy. These are indispensable to safeguard the pension titles of those who are already covered as well as the newly insured.

The same holds true – though to a lesser degree - for opening up the SSC on a voluntary basis. This strategy underlies the concept of the *Social Security Law* reform package which is, at the time being, on its way through the legislative process. Among other changes, it will open the SSC up to all groups of the employed (see p. 29). Such a step points in the right direction of closing the gap in social protection in Jordan. However, it does not take the fundamental financial problems of the SSC into account, and instead entails the risk of further aggravating them: 80 % of the insured already receive the minimum pension. According to the pension formula, they would be entitled to much lower benefits, but their pensions are subsidised to guarantee a minimum level of benefits at old age. Most of those attracted by the opening up of the SSC for voluntary membership will be low-income informal sector workers, so that the share of minimum pension beneficiaries will further increase.

Apart from that, informal sector employees will find it hard to deduct not only the employee's but also the employers share of contributions – totalling 16.5 % of their labour income.

Alternatively, a separate new scheme could be built up under the aegis of the SSC, designed to meet the specifics of informal sector workers: with lower contribution levels but without the generous minimum pension provision However, the public will fear an intermingling of the two schemes and a cross-subsidisation of their respective funds. Moreover, it would be all too apparent that it is unjust to subsidise low-wage formal sector workers and not to subsidise informal sector workers from the same wage class.

6.1.2 Broadening the Outreach of Social Assistance

Broadening the outreach of social assistance provided by the *National Aid Fund* (NAF), the *Zakat Fund* and other public institutions is no alternative, either.

No doubt the volume of social assistance spending has to be increased as soon as possible. Today, no more than a fifth of the Jordanian poor are granted assistance and the level of average transfers is insufficient to raise the poor above the poverty line. Improvements in targeting and reductions in the duplication of administrative structures could set free financial resources that could be devoted to additional beneficiaries. Now that the consumer-subsidies – formerly a substantial item in government spending - have been reduced to zero, additional financial resources have to be channelled to social assistance.

But the country cannot afford to provide support to all those who are not covered by insurance. The limited financial means should be reserved for the desperate poor, who are unable to spend for anything but day-to-day survival. Households living above the poverty line and having at least some excess income should be asked to provide for their own social protection.

6.1.3 Building Up Micro-Insurance Schemes

As a consequence, special systems have to be created that address the special capacities and needs of the near-poor in Jordan. Micro-insurance could be one of these systems.

To decide on whether micro-insurance is indeed feasible in Jordan and would meet the demand of this study's target group, four questions[140] have to be answered:

— Do the framework conditions allow micro-insurance schemes to operate in an effective way?

— Does micro-insurance in general meet the demands of the poor and near-poor?

— Is it possible to design a micro-insurance product that is financially viable and at the same time meets the need of the poor and near-poor?

— What institutions in Jordan have the resources, expertise and relations to fulfil the tasks of insurance provision (product design, management, sale and servicing) and how should these

140 Cf. Brown (2001).

Table 9: Framework Conditions for Micro-Insurance in Jordan		
Criteria	**main results**	**main areas of concern**
Political and economic stability?	stable despite regional instability factors	involvement in Palestine war
Inflation?	0.6 % in 1999	
Opportunities to invest reserves?	no restrictions	when SSC gets involved
Insurance regulation?	rigid criteria for insurance intermediaries, but legal amendments set for 2002	restrictive NGO law does not permit profits of NGOs
Judicial system?	necessity for micro-insurance schemes to agree on their own dispute-settling procedures	judicial procedures are slow and complicated judicial regulations and institutions are not reliable
Socio-cultural conditions?	concept of insurance widely accepted micro-insurance considered to be in accordance with Islam by religious experts	distrust provoked by term 'insurance' opt for alternative name

institutions be organised to solve the problems inherent in insurance provision (administration and transaction costs, information asymmetries, investment of reserves, adequate risk pooling, adverse incentives, confidence; see Chapter 2).

These questions will be discussed in the following four subchapters.

6.2 Framework Conditions

The framework conditions in Jordan do not pose major obstacles for micro-insurance The necessary framework conditions for micro-insurance in Jordan were checked through interviews with policy makers and academic experts (see Table 9):

Political and economic stability. Jordan's political system is stable enough to be able to judge political risks for micro-insurance schemes as low. Amid a turbulent region, Jordan has always been and still is considered an anchor of stability in the Middle East. However, the situation depends to a large extent on relations with neighbouring countries. A violent conflict, for example, would undermine the basis of any insurance scheme and bring about additional risks for households.[141]

Inflation. Inflation risks are low, as well: The change in the cost of living index decreased from 6.5 % in 1996 to 0.6 % in 1999.[142]

Opportunities to invest reserves. Micro-insurance in Jordan would not be hampered by a lack of investment opportunities: Neither domestic nor foreign investments are subject to significant legal restrictions. As an exception, the SSC is not free to invest abroad, a regulation that negatively affects its profitability and limits its potential role in micro-insurance schemes.

Insurance regulation. At present, regulatory insurance legislation could constitute a serious difficulty for micro-insurance in Jordan, but it is expected to be amended in the very near future. Today, to be accredited, intermediaries, i.e. insurance agents and insurance brokers, must have either three or ten years of experience respectively in the insurance business. This restriction would be a very critical

141 Cf. Morduch (1999), p. 198.

142 See Table B2 in Annex B.

point for any institution wishing to play the role of agent (intermediary) in micro-insurance. Moreover, it encourages insurance companies to market their products directly to the insured. However, only recently an independent *Insurance Regulatory Commission* was established to reform existing legislation. It is pursuing a new approach and intends to judge the accreditation of intermediaries on the basis of their skills. As of winter or spring 2002, when the new insurance law is to come into effect, any institution will be able to sell insurance products and, consequently, act as an agent in micro-insurance. The *Insurance Regulatory Commission* has shown itself to be open-minded about the idea of micro-insurance and is considering formulating the executive regulations of the new law in such a way that non-governmental organisations (NGOs) are explicitly authorised to become active in insurance business.[143]

Apart from insurance legislation, legal restrictions for NGOs could result from the current NGO law. According to the *Ministry of Social Development* (MOSD)[144], NGOs are not allowed to take over responsibilities in insurance schemes, because NGOs are not permitted to work for profit. According to NGOs, however, this is not the case. They are ready to participate in micro-insurance. Should the MOSD prevent NGOs from selling micro-insurance contracts, NGO workers would fund co-operative unions run by the same staff to become active in the micro-insurance business. Co-operative unions are even allowed make profit.[145]

Judicial system. Micro-insurance schemes, however, would have to create their own dispute-settling mechanisms. Judicial procedures in Jordan, at present, are too slow, too complicated and not reliable enough. Flexible and fast mediation procedures are essential to solve disputes between partner and agent or between one of them and the insured. Again, the *Insurance Regulatory Commission* could play a positive role when the involved parties cannot find an agreement. It has efficient sanctioning mechanisms (e.g. insurance licence suspension) for insurance companies violating legal regulations.[146]

Socio-cultural conditions. Even religious beliefs are no obstacle to micro-insurance. Micro-insurance (even life micro-insurance) is a risk pooling tool and in accordance with Islam, if it (i) is managed in a socially responsible way, (ii) promotes solidarity and (iii) invests in acceptable assets only. This was also confirmed by Jordanian Islamic legal advisors *(Fuqahāʿ)*[147], who would even be ready to promote the concept. Even ordinary insurance is refused for religious objections by only a small minority of the urban population, as the GDI survey revealed. Still, micro-insurance might appear more acceptable if it was named ‘social micro-fund’ *(Ṣundūq Iǧtimāʿī Ṣaġīr)* or ‘solidarity fund’ *(Ṣundūq Takāful* – the term for Islamic insurance) rather than ‘micro-insurance fund’ *(Ṣundūq Ta’mīn Ṣaġīr)*. Investing with Islamic banks could also help to allay doubts.

6.3 Demand

The most decisive pre-condition for setting up micro-insurance is, of course, whether there is a potential market for it. Five questions[148] have to be answered to judge the potential demand of households for micro-insurance (see Table 10):

143 Dr. Bassel Hindawi, *Insurance Regulatory Commission,* 26 February 2001; Mr. Hisham Baban, *Ministry of Trade and Industry,* 26 February 2001; Mr. Sami Gammoh, Mr. Ramzi S. Shami and Mrs. Linda Karus, *Jordan International Insurance Company,* 15 February 2001; Mr. Rajaj K. Sweis, *Middle East Insurance Company,* 21 February 2001.

144 Mr. Orabi Molid Ibrahim and Mrs. Maisoun Bdour, *Ministry of Social Development,* 25 February 2001.

145 Mr. Ayyoub Khamis, *Voluntary Society of the Islamic Centre in Jabal An-Nadheef,* 10 April 2001.

146 Dr. Bassel Hindawi, *Insurance Regulatory Commision,* 26 February 2001; Mr. Hisham Baban, *Ministry of Trade and Industry,* 26 February 2001.

147 Dr. Hamdi Murad, *Umar-al-Mukhtar-Schools*, former Director General of the *Zakat Fund*, 17 April 2001; Mr. Ayyoub Khamis, *Voluntary Society of the Islamic Centre* in Jabal An-Nadheef, 10 April 2001. Cf. also Bhatty (2001), pp. 47 - 48.

148 Cf. Brown (2001), p. 13; Lund / Srinivas (1999), pp. 75 - 77; McCord (2001b), p. 37.

Table 10: Potential Demand for Micro-Insurance among Urban Groups in Jordan		
Criteria	**basic questions**	**results**
Vulnerability	Are households exposed to risks? Are they covered by other social protection systems?	more than 50 % vulnerable to life-cycle risks; 58 % to health risks two thirds of the poor do not receive social assistance mutual support insufficient, not reliable, occasional in most cases
Awareness	Are households aware of potential future risks?	two thirds aware of future risks; but better aware of high-frequency (health) risks than high-loss (life-cycle) risks
Interest	Are households willing to provide? Do they want support in managing their risks?	two thirds willing to provide but lacking adequate means
Understanding and acceptance	Do households understand and accept the concept of insurance? Do they consider insurance the most appropriate provision strategy?	good understanding because of widespread mutual insurance groups (e.g. family funds) most households interested in participating in micro-insurance scheme
Willingness & ability to participate	What is the economic situation of interested households? Do they feel able to contribute to micro-insurance on a regular basis?	42 % able to contribute on a regular base (most of them between 2 and 10 JD per month) possible contribution highly correlated with income

The GDI household survey[149] looked into all of these questions. It reveals that the potential demand for micro-insurance among near-poor urban households is substantial and that even a considerable number of the urban poor are interested in possible micro-insurance schemes. However, it has to be kept in mind that potential demand does not necessarily translate out into effective demand.

Vulnerability. Urban low-income groups in Jordan are insufficiently protected against risks, especially health and life-cycle risks. Lacking adequate support, the urban poor and near-poor are unable to manage these risks and are highly vulnerable. 59 % of the interviewed households reported that their main provider is not covered by any pension or life insurance and that none of the family members have health insurance (see Figures 8 and 9). As to the poor who are unable to provide for their own protection, less than a third of the interviewed households receive public social assistance from *any* institution and the traditional mechanisms of mutual support (‘informal insurance’) are much too limited in scope and too unreliable to make up for the gap in formal social protection. Most of the support to the needy is provided by relatives, friends and neighbours on an occasional basis only.

Awareness. Most of the urban poor and near-poor in Jordan are well aware of the risks they might face in the future as well as of their potential effects. Two thirds of those interviewed worry about the future and concretised their worries with reference to specific risks they face. It became apparent that the households tend to be better aware of risks with a high probability and frequency of occurrence than they are about low-frequency / low-probability risks, even though the latter cause much higher losses. Almost all of those interviewed worried about becoming ill or losing their employment, but only part of them stated being aware that the main provider

149 This chapter is based on the results of the GDI household survey. Although the sample is not representative, all parameters, such as average income, average number of household members, coverage of social protection, come close to representative data. For further details see Annex A.

might die or become work-disabled, leaving the household without any labour income.

Interest. The great majority of households are willing to provide for the future but cannot find suitable ways to do so. Less than one third of the households in the GDI household sample are actively providing for the future (most of these doing so by saving money or investing in education). This lack of provision, however, seems to be mainly due to a lack of ideas on how to provide or to the absence of appropriate schemes. Only a third of the interviewed households had any ideas on what kind of protection they would like to have.

These households are in need of support in their risk management efforts, and they stress that they expect the state or other actors to help them. They wish to have some form of insurance or opportunity of income diversification. Only a few households expressed a preference for savings products, credit or social assistance. It is important to be sure about this, because households' exposure to risks is not necessarily the same as demand for support and for insurance.[150]

Understanding and acceptance. The majority of interviewed households had no difficulties in understanding the concept of insurance when they were explained the idea of micro-insurance. This is mainly due to the existence of family funds and solidarity funds shared by refugees from the same town of origin, mutual insurance groups, which resemble micro-insurance in that they are contributory funds providing assistance in *a priori* defined emergency cases.[151]

Some households, however, did not understand that an insurance scheme only provides benefits to those harmed by a risk but not to those who are not affected. They expect any fund always to pay back what a member has paid in, like a savings fund. This perception is not peculiar to Jordan: Many micro-insurance schemes have failed because households who were not affected by the insured risk requested their money back or left the scheme, feeling betrayed.[152] Low-income households' have limited experience with risk-pooling arrangements, while rotating savings and credit associations are widespread and mutual support networks are based on reciprocated assistance (giving and taking).

Most of the urban near-poor welcomed the idea of micro-insurance and accepted it, even though it is based on the mechanism of pooling risks. They would participate in possible schemes. Some households, however, favoured funds with more redistributive elements ('charity elements'), which are impossible in voluntary schemes. Others feared that solidarity among neighbours would be too weak to establish a system which requires mutual trust. They expressed their preference for a simple savings fund without risk-pooling, where everyone gets back what he has paid in. Only a few households expressed religious objections to insurance.

Willingness and ability to participate. The great majority of interviewed households are willing to participate in possible micro-insurance schemes. They are willing to pay for their protection (Table 11). Micro-insurance indeed seems to fill the gap in social protection in Jordan.

Moreover, they are also *able* to contribute on a regular basis. Households interviewed for the GDI survey reported an average monthly contribution of 8.25 JD for insurance. The bulk of potential contributions was between JD 2 and 10 per month and household. 49 % of the urban poor and near-poor declared their ability to pay at least 2 JD per month (see Table 12).

As in many other countries[153], a high number of interviewed households were initially willing to pay but turned out to be unable to afford it. Even some of the poor households would be willing and able to contribute, though on a very limited basis. The reported ability to pay for micro-insurance was found

150 Cf. Brown (2001), pp. 13 - 14; Brown / McCord (2000), p. 3; Mosley (2001).

151 See Box 4, p. 40, for a description of such a fund.

152 Cf. Del Conte (2000), p. 12; McCord (2001b), p. 34; Morduch (1999), p. 190.

153 Cf. Brown (2001), pp. 15 - 16.

Table 11: Willingness of the Urban Poor and Near-Poor to Participate in Micro-Insurance		
	absolute number	**in % of valid interviews with poor and near-poor households**
Yes	65	81
No	15	19
N/A	17	-
Sum	97	100
Source: GDI household survey (see annex A)		

Table 12: The Ability of the East Amman Poor and Near-Poor to Pay for Micro-insurance		
(JD per month and household)	**absolute no.**	**in % of valid interviews with poor and near-poor households**
Not able	8	12
1 - 2	11	17
2 - 5	21	32
5 - 10	11	17
10 - 20	9	14
20 - 50	5	8
N/A	32	-
Source: GDI household survey (see annex A)		

to be significantly correlated with reported income (correlation coefficient: 0.5). Reported household incomes were in the range between JD 40 and 500 per month and household.

6.4 Product Design

The significance of these results, however, is limited, or at least preliminary, because the questions on the willingness and ability to pay for micro-insurance were abstract; they were not linked to a specific insurance product, and willingness to contribute depends to a large extent on the concrete risk to be covered.[154] For this reason, after it became clear that households would probably prefer health, work-disability and life insurance, insurance companies were asked whether they could provide such insurance contracts in the price range that households had mentioned and they were asked to outline a possible product. This product was again explained to the households during the second phase of the survey. In an iterative process a product was designed which is at once (i) financially viable and (ii) affordable and attractive for the target group. For each of the risks households face, a list of criteria (compare pp. 10 - 11) was used (see Table 13):

It turned out that it is possible to offer a term life and work-disability insurance that the urban near-poor would demand, while it would be extremely difficult for micro-insurance schemes to cover health risks, for the time being. The majority of interviewed households expressed a preference for health insurance, but the products that insurers could offer are too expensive for them. Property, liability or old-age insurance cannot be offered either. But life and work-disability insurance could be

154 Cf. Brown / Green / Lindquist (2000), p. 4; Brown / McCord (2000), p. 3.

Table 13: The Potential Design of Micro-Insurance in Jordan

Criteria	basic questions[a]	results
Demand	Are households vulnerable to a specific risk? Are they aware of the risk? Are they willing to provide for protection against the risk?	Poverty correlated with life-cycle, health and economic risks Households interested in health (64 %), life (49 %) and work-disability (26 %) insurance
Appropriateness	Is insurance the best solution to protect against this risk?	Insurance appropriate solution for life-cycle risks and low-frequency / high-cost risks related to illness
Feasibility	Is insurance a *possible* solution for the risk? - risks can be specified - risks are not covariant - effective risk-pooling through large numbers of insured persons - be controlled - transaction simplicity	Term life and work-disability insurance could be offered: specific idiosyncratic risks, transactions simple and information problems controllable Health insurance for public sector services not feasible: information problems not controllable Health insurance for private sector services feasible and viable: information problems controllable via elaborated methods of Jordanian health administrators
Viability (sustainability)	Can clients' potential contributions finance all related costs or are there other sources of financing	
Affordability	Are households willing and able to pay for the insurance product?	Term life and work-disability insurance possible for 1.25 JD monthly Health insurance for private sector services too expensive: 19 JD monthly

[a] Cf. Brown / Green / Lindquist (2000), pp. 5 - 7; Brown / McCord (2000), p. 3; Del Conte (2000), pp. 12 - 14; Lund / Srinivas (1999), pp. 75 - 79.

sold with a micro-savings product good for old-age provisioning.

Life and Work-disability Insurance

Micro-insurance schemes could offer appropriate, viable products insuring the death and work disability of a main provider.[155] It might even be coupled with a micro-savings component, a useful product to support households in their efforts to provide for old age or to accumulate capital for future productive investments.

Life and work-disability micro-insurance schemes are already operating in Jordan, additional projects are planned. NEF and the MFIs are negotiating with private insurance companies on co-operation in a life and work-disability insurance project which would be to cover the outstanding loan balances of their clients.[156] JOHUD already requires its customers to buy life and work-disability insurance to protect itself from a loss of outstanding loan balances.

155 In the context of this study, work disability, in accordance with the Jordanian Social Security Law, refers to 'total work disability', i.e. *'any disability precluding the insured, totally and permanently, from practising any profession or paid employment"*. The share of disabilities resulting from diseases and injuries in Jordan is published in Table 2 in the annexes of the Jordanian Social Security Law. Cf. SSC (n.d.), pp. 2; 36 - 59.

156 The *Micro Fund for Women* is in negotiations with the *American Life Insurance Co.* (ALICO) insure outstanding loan balances. Mrs. Niveen Abbousji Sharaf, *Micro Fund for Women,* 22 February 2001.

Demand. Among the urban poor and near-poor in Jordan, the potential demand for life and work-disability micro-insurance is significant (see Table 14). 49 % and 26 % of the interviewed households respectively expressed interest in life and work-disability insurance. However, it should be kept in mind that such initial interest does not necessarily result in the same level of effective demand. Many households are not aware of the serious effects of the risks because they are not confronted with them in everyday life (as they are with illness). This is highlighted by the fact that households' interest in health insurance is markedly higher. Life insurance might thus loose priority against other needs. Awareness campaigns might become necessary, and thus a business line of this kind has to be considered a long-term investment.[157] Moreover, people are more sceptical about life insurance than e.g. health insurance; some believe that Islam does not permit the insuring the death of a person.

To raise the interest in and acceptance of life and work-disability insurance, a linkage with a savings component should be taken into consideration. Such a savings component could provide benefits at the end of the insurance term, amounting to contributions to this component plus interest. The advantages of such a double-component product are threefold: (i) it would also be acceptable to households expecting their contributions back in any case: Benefits are provided in any case - not only when the household's main provider dies or becomes work-disabled. Hence the scheme would be more similar to traditional savings and solidarity clubs. (ii) The scheme would be more attractive: Households are rewarded for participating, under the good- as well as the bad-case scenario. (iii) Most importantly, households would be supported in saving for future investments in productive capital and in providing for old age. For low-income groups, saving is often a more appropriate strategy than insurance.[158]

Appropriateness. Still, it is recommendable for possible micro-insurance projects to start out with life and work-disability insurance. Savings may be an alternative to provide for the risks related to illness, but insurance and income diversification are the only appropriate strategies to protect against low-frequency / high-loss risks like death or work disability.[159] The demand of urban households in Jordan for health insurance may be higher, but they are more vulnerable to the death or work disability of their main provider because the related permanent loss of income is more difficult to bear than lump-sum health care costs. The results of the GDI household show indicate that the correlation of poverty with the occurrence of risks is much stronger for life-cycle risks than for health risks.[160]

Feasibility. Jordanian commercial insurance companies are prepared to offer cheap life and work-disability insurance on a voluntary basis and act as a partner in micro-insurance business. They could easily provide the actuarial calculations necessary to design contracts. Agents, on the other hand, could easily check for moral hazard and fraud, and they could sufficiently limit adverse selection. Moreover, transactions (especially the management and settling of claims) are much easier than for health insurance, because benefits are paid for only one single event.

Viability. One private Jordanian insurance company[161] is prepared to offer contracts at an annual prime of JD 6 for every JD 1,000 insured, which

157 Dr. Khaled M. Abu-Goura, *National Ahlia Insurance Company,* 21 February 2001; Mrs. Heba Dajani, *Swiss Agency for Development and Cooperation,* 18 February 2001; Mrs. Maha Khatib, *Jordan River Foundation,* 26 February 2001; Mrs. Nadia Shamrukh, *Jordanian Women's Union,* 20 February 2001. Cf. also Brown / Churchill (2000), p. 54; Hauch (1999); Freiberg-Strauß (1999), p. 8.

158 Dr. Hana' Jaber, *Centre d'Etudes et de Recherches sur le Moyen Orient Contemporain,* 19 April 2001. Cf. Brown / Green / Lindquist (2000), p. 6; Brown / McCord (2000), p. 3; Morduch (1999), p. 198.

159 Cf. Brown / Churchill (2000), p. 4.

160 37 % and 28 % of all the interviewed households have been affected by life-cycle risks and health-related risks respectively. But this share was significantly higher among the subgroup of those classified as 'poor' and 'probably poor' especially for life-cycle risks (63 %; health risks: 41 %), see Table A19 in Annex A.

161 Calculation kindly provided by Mr. Waleed Wael Zurub, *Jordan French Insurance Company,* 2 April 2001.

Table 14: Preference of East Amman Households for Risks to be Insured		
	absolute no.	**in % of poor and near-poor households**
Demand for risks to be covered by micro-insurance		
- Illness	62	64
- Death of main provider	48	49
- Work disability	25	26
- Property damage	21	22
- Others	65	67
Most important risk to be covered by micro-insurance		
- Illness	42	43
- Death of the main provider	18	19
- Work disability	6	6
- Property damage	2	2
- Others	7	7
Source: GDI household survey (see Annex A)		

still seems a rather conservative calculation. According to independent insurance experts,[162] the same product could even be offered at a lower price. Benefits would be lump-sum payments (paid as one single cash transfer after the insured event) and be granted when the policyholder dies or becomes work-disabled *before* the age of 65. Hence policyholders would have to be between 18 and 60 years of age when entering the scheme. Moreover, the insurance company argues that the demand of low-income households could be temporary and conditions its offer on the premise that the contracts be for a fixed term (five to ten years). Such conditions are normal for new forms of insurance[163] and recommendable with respect to actuarial and transaction simplicity, transparency and risk reduction (see p 10).

Affordability. The target group considers the cost-benefit ratio of the offer attractive. The sum insured should equal policyholder's income of two years, so that the family members of the deceased have enough time to mobilise new sources of income, e.g. through vocational training for a family member. Thus the sum insured should be JD 2,500 on average, resulting in a monthly contribution of JD 1.25. This cost-benefit ratio is far lower than what households assumed when asked how much they would be ready to pay for JD 2,500 of insurance. Households with higher income levels could, of course, insure higher sums.

Health Insurance

Health micro-insurance affordable for low-income groups is difficult to provide in Jordan. The demand for health insurance among the urban poor and near-poor would be high, but any product responding to the needs of potential clients from these groups would be much too expensive for them because fees are very high for private sector services, and information problems such as adverse selection, moral hazard and fraud appear insurmountable if only public sector services were covered. This result is

162 Mr. Sameer Gammoh, *NatHealth,* 26 April 2001.

163 Cf. Roth (2001), p. 48.

not unique and not surprising. Thus far no health micro-insurance scheme has proven sustainable.[164]

Demand. The potential demand for health micro-insurance is very high, but the ability of potential clients to pay for it is limited. The GDI household survey revealed that 64 % of the urban poor and near-poor would buy health micro-insurance. 43 % prefer to insure health-related risks rather than any other kind of risk (see Table 14). This preference is due to the low coverage of formal health insurance schemes and households' vulnerability to health risks.[165]

Appropriateness. Insurance is the appropriate strategy to deal with health-related risks. This goes particularly for contracts covering low-frequency / high-cost health treatments (normally in-patient care), while high-frequency / low-cost treatments (out-patient care) can also be managed by savings. The interviewed households confirmed that they would be particularly interested in health insurance covering in-patient services. Fluctuations in annual spending for the treatment of less serious sicknesses outside hospitals are rather limited and households are more capable of paying such costs out of pocket. Moreover, the public sector provides all out-patient services at extremely low prices that most of the near-poor and even some of the poor can afford to pay. In-patient care is subsidised as well, but often no beds are free in public hospitals.

Viability. Insurance companies regard a scheme that refunds only treatment costs of public hospitals as viable. They could only imagine such products under three conditions: (i) if they were tied to the death and work-disability package described above, (ii) if co-payments of patients were at least 25 % of costs and (iii) if they were compulsory for specific groups of the population. Obviously, these restrictions are necessary to control the problems of adverse selection, moral hazard and fraud and to reach large numbers of policyholders and to pool risks sufficiently.[166]

Feasibility. Compulsory social health insurance covering public sector services is no alternative, either. It would require amendments in current legislation – a lengthy process. Moreover, it would constitute too much of a challenge for the public health provision sector: Utilisation of MOH facilities, already over-crowded at most times, would further increase and the quality of services further worsen. Additionally, such scheme would constitute a serious burden for the government budget, because the number of patients in public hospitals would rise.[167]

Affordability. Voluntary health insurance that refunds expenses for private sector services, on the other hand, is a profitable standard product. However, even with limitations in benefits and an efficient control of adverse selection, moral hazard and fraud, contribution rates would have to be very high. This problem is highlighted by the experience of the *Jordanian Engineers Association* (JEA), which runs a type of health micro-insurance scheme for its members covering in-patient care or out-patient care or both (see p. 36).

The programme has only attracted a very small number of clients. Contribution levels[168] are high, although the programme was able to limit adverse selection and transaction and administration costs and to control for moral hazard through direct relations with clients. Third-party administrators in

164 Cf. Bennet / Creese / Moasch (1998), pp. 26, 40 and 46; Brown / Churchill (2000), pp. 47 - 54; ILO / PAHO (1999), pp. 20 - 24; McCord (2001b).

165 Cf. footnote 160.

166 Mr. Waleed Wael Zurub, *Jordan French Insurance Company,* 21 February 2001 and 2 April 2001.

167 Dr. Fakhri Al-Smairat, *Civil Health Insurance Programme, Ministry of Health,* 20 February 2001 and 4 April 2001; Dr. Dwayne Banks, *Partnerships for Health Reform,* 26 February 2001.

168 Mr. Samer Akroush, *Amman Insurance Company,* 14 April 2001. The annual contribution rate of the contract covering in-patient services insurance is JD 224 for a family with two adults and three children. The JEA is re-insured with a commercial insurer and acts as a micro-insurance agent.

Box 5: The Health Micro-Insurance of the *Al-Amal Cancer Centre*

The *Al-Amal Cancer Centre,* opened in 1997, offers medical insurance covering the treatment of cancer only. Interested persons must undergo screening, which costs JD 100, to prove that they are not suffering from cancer when they join the insurance. The policy becomes valid three months after joining. Regardless of age of entry, Jordanian members can choose between a maximum coverage of JD 10,000 or 20,000 for a yearly contribution of JD 10 or JD 50, respectively. According to the centre, 50,000 persons have subscribed, 1,000 of whom have received cancer treatment after subscription. The number of insured is probably so high because of group-based policies with firms or other entities, but not because of individual contracts.

The insurance programme struggles with six major problems: (i) it is not re-insured. Therefore an increase in claims can burden the centre's budget. (ii) The insured are not under obligation and have to pay for early detection examinations, which decreases the probability of high-cost claims. Nevertheless, the centre works toward making members more health-conscious. (iii) Being insurer and health-care provider at the same time is an incentive for the centre to lower the quality of services to reduce costs. (iv) Problems of prestige are reported. (v) The group of potential clients is limited. Premiums for the whole family plus the fees for medical check-ups are not affordable for low-income groups. (vi) The service competes with free cancer treatments provided by the MOH. Those that are able to contribute are in most cases already covered by governmental or private health insurance.

Source: GUVS (1998); Mr. Hasan M. Ala'eddin, Al-Amal Centre, 24 February 2001; Mr. Dwayne Banks, Partnerships for Health Reform, 26 February 2001; Mr. Waleed Wael Zurub, Jordan French Insurance Company, 21 February 2001.

Jordan have invented ingenious method to control moral hazard and fraud, though their offer for low-income groups is too expensive as well.[169]

In both cases, contribution levels are higher than what the poor and near-poor can afford to pay. Adults would have to pay about 5.5 JD per month, while the average Jordanian household (lower *and* middle income) is not prepared to pay more than 2.8 JD per month and adult: A survey sponsored by *Partnerships for Health Reform* has revealed that the amount average lower and middle-income households with six members are willing to pay is only JD 13.8 per month (JD 165.6 per year).[170] For an estimated average income of JD 200 per household and month[171], contribution rates of this level would already amount to 6.9 % of total spending.

Property Insurance

Property damage is not insurable by micro-insurance in Jordan. The potential demand of households for such an insurance product is much smaller than for health or term life and work-disability insurance, and insurance companies refuse to re-insure this factor. They are not willing to offer property insurance to low-income households, because they regard the absolute value of the potential sums to be insured as too low in relation to their own administration costs and consider moral hazard problems to be almost insurmountable.

169 NatHealth could offer a similar product for JD 221 per year for the same family; Mr. Samer Akroush, *Amman Insurance Company*, 14 April 2001; Mr. Sameer Gammoh, *NatHealth* 25 March 2001. See also p. 36.

170 These statements rely, apart from the interviews carried out, on a study on consumers' willingness to pay for MOH-sponsored voluntary health insurance. Cf. Banks / Muna / Shahrouri (1999).

171 Figure given by Dr. Yasser Adwan, *University of Yarmouk,* former General Director of the *Social Security Corporation,* 19 April 2001. The median income of annual households incomes is approximately JD 2000. However, the median is not the average but the midpoint of distribution. Half of the cases have higher values, and half are lower. Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998), p. 198.

6.5 Organisation and Actors

The supply side of micro-insurance is the last aspect remaining to be examined. The challenge is to organise schemes in a way that solves the problems of insurance provision for low-income groups and to identify institutions capable of carrying out the tasks of product design, sales, management and servicing. Section 6.5.1 discusses possible organisational models of micro-insurance, while Sections 6.5.2 and 6.5.3 will turn to potential partners and agents.

6.5.1 Organisational Model

Micro-insurance schemes in Jordan should be organised in accordance with the partner-agent model (see p 13), where the tasks of insurance provision are distributed between a partner and an agent in accordance with the specific capacities of the institutions involved. The agent's task would include *product sale* (marketing and underwriting) and *product servicing* (claims control and settlement). This role would be best played by institutions like, for example, NGOs, co-operatives, MFIs or unions that are already active in the target group's quarters. The role of the partner, on the other hand, can only be played by insurance companies with sufficient expertise. Their task would include *product design* and *product management* (risk pooling, investment of reserves, monitoring). The full-service insurance model and the community-based insurance model are inferior as to the criteria[172] listed in Table 15:

Minimise information and transaction costs. The partner-agent model is able to minimise the administration, information and transaction costs related to the tasks of *selling* and *servicing insurance contracts*. Private insurance companies in Jordan offer contracts that correspond to the needs and capacities of middle- and high-income groups. However, they incur very high costs for administrating and monitoring schemes, marketing and selling the product, collecting primes and settling claims. These costs exceed contributions collected when contracts are sold directly to clients, and they can only be lowered with the assistance of micro-insurance agents already active where potential clients reside.

Overcome information asymmetries. Centralised actors like commercial insurance companies and public social insurance agencies are as a rule distant from potential clients. They find it difficult to effectively screen potential clients to minimise adverse selection and they are unable to verify claims in such a way as to be able to minimise moral hazard and false claims. Moreover, commercial insurance companies lack the ability to identify potential clients and enter new markets. They should leave the *marketing* and *servicing* to partners with established contacts to potential clients and a good knowledge of the specifics of the target group. These tasks could be best carried out by local organisations, which can easily identify new potential clients, underwrite and screen them and verify possible client claims. Only simple insurance products can be offered on the basis of the full-service model of micro-insurance.[173]

Build confidence. Potential micro-insurance clients distrust commercial insurers. They consider their policies unaffordable and thus usually do not contact them. However, confidence could be built by well-known local agents who are already operating supportive programmes for the poor and near-poor.

Pool risks sufficiently. Local organisations, on the other hand, do not have the capacities to design and price insurance contracts and to develop and scale a possible scheme. Moreover, their financial viability is threatened by their lack of any sufficient possibility to pool risks among a high number of insured parties. These tasks can met only by insurance companies with the necessary actuarial and financial know-how, a broad scale of activities and a re-insurance contract. Any accidental correlation of bad risks and coincidence of claims can torpedo micro-insurance schemes based on the community-

172 See Subchapter 2.5, pp. 11 - 14, for an explanation of these criteria and a more general discussion of the models. Cf. also Brown / McCord (2000), pp. 4 and 10 - 11.

173 Cf. Brown (2001), pp. 17 and 23; Brown / McCord (2000), pp. 4 and 10.

Table 15: Criteria for Organising Micro-Insurance in Jordan

Criteria	Results for Jordan
Minimise administration and transaction costs	only with local agents, not possible for full insurer
Overcome information asymmetries	
Build confidence	
Pool risks sufficiently	only with experienced partner, not possible for community-based insurance
Invest funds adequately	
Reduce adverse incentives	impossible in provider model, difficult for community-based insurance

based insurance model or without re-insurance with insurance partners.

Invest funds adequately. Local organisations also lack the necessary initial investment capital and the possibility and financial know-how to invest reserves adequately. By partnering with established insurers with access to financial markets, they can offer micro-insurance products at a much better benefit-cost ratio to clients and more easily learn the techniques of insurance business from their partners. Their own commission for distributing the product can be a fixed share of total profits, which usually guarantees a more stable income than the profits of an autonomous business. Moreover, local organisations acting only as agents are less subject to reserve capital requirements and other legal restrictions.

Adverse incentives. There is one other reason why the community-based insurance model cannot be unreservedly recommended: Here, the insured party is at the same time the insurer; he owns and manages the scheme himself.[174] Experience from other countries shows that such interests overlaps can be a source of tensions between the individual members. Similarly, the provider model of micro-insurance may tend to fail because of conflicting interests: The manager of the scheme is at the same time the provider of services financed by the scheme (see Box 5).

The challenge is to bring together different kinds of institutions like commercial insurance companies and local grass-roots organisations. These tend to be reserved about co-operating with one another. Commercial insurers are sceptical about the managerial capacity of local agents, while the latter hesitate to co-operate with profit-oriented insurance companies. Training and confidence-building measures are the key here.

6.5.2 Partners

Potential agents should, in any case, be sure to find a reliable partner who is ready to strike a fair deal with the agent. To make a first check of potential partners in Jordan, these[175] were analysed according to a number of criteria[176] listed in Table 16:

It turned out that the role of partner could better be played by a private sector insurance company than by a public agency like the *Social Security Corporation* (SSC).

174 Cf. Brown / Churchill (2000), pp. 51 - 52.

175 Interviews were conducted with the two public insurance agencies (the *Social Security Corporation,* the *Civil Insurance Programme),* with five private insurance companies *(Amman Insurance Company; Jordan French Insurance Company; Jordan International Insurance Company; Middle East Insurance Company;* The *National Ahlia Insurance Company)* and with *NatHealth,* a health insurance administrator.

176 Cf. Brown / Green / Lindquist (2000), Appendix I; Freiberg-Strauß (1999), p. 7; ILO / PAHO (1999), pp. 17 and 39 - 40; Lund / Srinivas (1999), p. 55; Musau (1999), pp. 18 - 19 and 25.

Table 16: Potential Partners of Micro-Insurance in Jordan

Criteria	parameters	results for Jordan
Interest in serving low-income market	readiness to adjust products to needs and capacities of target group and minimise number of exclusions	medium interest of SSC high for <u>some</u> commercial companies
Flexibility: Readiness for long-term co-operation with local agents	opinion of company director willingness to pay commission to agent	low for SSC medium for commercial insurers
Reputation among target group	opinion of interviewed households	good for SSC highly mixed for commercial companies
Capacity to pool risks	scale of products number of clients re-insurance	very high for SSC (implicit government guarantee) high for <u>most</u> commercial insurers (many clients, re-insurance)
Actuarial know-how	existence of own actuarial division	very low for SSC
Administrative and financial performance Experience with insurance	asset portfolio operating return benefit / cost ratio of existing products	low for SSC difficult to estimate for commercial companies
Capacity to invest reserves & to provide initial financing	access to capital markets structure of liabilities	low for SSC sufficient for commercial companies

Commercial Insurance Companies

Interest. Some commercial insurance companies active in Jordan are indeed interested in offering micro-insurance products.[177] Their incentives are fourfold: (i) they would gain access to new markets. Moreover, they could increase their share of the total – highly competitive though small – insurance market in Jordan, where more than two dozen companies are active. (ii) The new product could be profitable for them despite low contributions, thus adding to their profits. (iii) Providing adequate risk management instruments to the poor and near-poor is a good way for them to gain publicity. Insurance companies in Jordan do little advertising because the product is considered a collective good of the whole industry. (iv) Today's micro-insurance clients may improve their economic situation and become good clients of standard insurance products in the future.

Nevertheless, commercial insurance companies have their doubts about the viability of micro-insurance products. For this reason, their flexibility as to product design is limited (see p. 60). Term insurance contracts and group-based policies are compatible with the idea of micro-insurance, but compulsory schemes are not.

Flexibility. Thus far insurance companies are sceptical about the co-operation with non-profit agents. Some would rather rely on direct marketing but any such full-service insurance model implies high transaction and information costs, which have to be passed on to the client, and this could render the micro-insurance product unaffordable for the near-poor.

Reputation. Many potential clients distrust commercial insurers. The reputation of insurance companies is very mixed because many households have had bad experience with them. Others have just not stud-

177 Mr. Waleed Wael Zurub, *Jordan French Insurance Co*., 21 February 2001; Mr. Sami Gammoh, Mr. Ramzi S. Shami, Mrs. Linda Karus, *Jordan International Insurance Co.,* 15 February 2001; Mr. Rajai K. Sweis, *Middle East Insurance Co.,* 21 February 2001; Dr. Khaled M. Abu-Goura, *National Ahlia Insurance Co.,* 21 February 2001.

ied contracts well enough to understand exclusions or have even misunderstood the concept of insurance and expected their contributions back when no insured risk has been involved. Agents, however, should be able to cushion such mistrust and explain the basic concept and the conditions of micro-insurance contracts offered.

Risk-pooling. Private insurers have to be re-insured to protect against any co-incidence of claims and unexpected increases in benefits granted. All Jordanian insurance companies have well-established relationships with international re-insurance companies. These can also be a valuable source of expertise, since there are already re-insurance micro-insurance schemes in other countries.[178]

Moreover, Jordanian insurance companies also have the *actuarial know-how* required to design and price micro-insurance contracts as well as the capacities to design and price contracts based on sound *actuarial know-how*, to *invest reserves* and to provide *initial financing*.

The *Social Security Corporation*

The *Social Security Corporation* (SSC) is the sole public insurance agency that should be taken into consideration as a partner in micro-insurance projects: It has a good *reputation* among target-group households[179] and *long-term experience* with a high number of insured persons. Moreover, the SSC could *pool risks* sufficiently: It has no re-insurance but a high number of insured persons, considerable financial reserves and the state as a guarantor.

However, the SSC has some disadvantages compared with private sector companies:

178 According to Mr. Sameer Gammoh, *NatHealth,* 21 February 2001, the *SwissRe* is the company re-insuring the *Indian Life Insurance Corporation,* which is the partner of a micro-insurance scheme with the *Self Employed Women's Union* (SEWA) in India.

179 Result of the GDI household survey.

Interest. The SSC shows *little interest* in offering micro-insurance products. It has good reason to be anxious to serve the low-income market: Its middle- and higher-income members might think that the new policy holders are to be subsidised out of their funds. Recent experience confirms, in fact, that programmes operated by government agencies are more likely to tolerate deficiencies in sustainability. The government is a sort of re-insurer, and it is, for political considerations, reluctant to restore financial balances.[180]

Flexibility. The SSC would not be prepared to co-operate with local partners, but would market any micro-insurance product directly through its fifteen branches and liaison offices.

Actuarial know-how. The SSC has no actuarial experts and hence lacks the know-how to price an possible product adequately.

Capacity to invest reserves. The SSC is unable to invest funds from life and disability insurance in a profitable way. It is prevented by law from investing reserves abroad, although the local financial market cannot absorb its huge annual surpluses. Moreover, the SSC has no investment experts and pursues an investment policy with very low returns on investments.

Administrative and financial performance. The SSC's operating scheme does not perform well as regards returns on contributions. The average benefit-contribution ratio is low and overhead costs are high compared to other social security schemes.

6.5.3 Agents

The role of the agent in micro-insurance will certainly turn out to be the bottleneck in any possible micro-insurance schemes in Jordan. The tasks of product marketing and servicing call for capacities and capabilities at many different levels.

180 Cf. Morduch (1999), p. 201.

To identify appropriate agents in the Jordanian context, different organisations were analysed along eight criteria – all of them are listed in Table 17: In the household survey an attempt was made to sound out the target group's preference for the different organisations on marketing an possible micro-insurance product. However, the answers were very mixed, and so it is impossible to make any safe statements on the target group's confidence in the organisations. As to the other criteria, all analyses are based on information given by representatives of the organisations as well as in printed information brochures (for a list of questions asked see guideline of interviews with possible micro-insurance agents at the end of Annex A).

This assessment covered nine groups of organisations:

— the four 'sustainable micro-finance institutions' (MFIs),
— the *Zakat Fund* and its affiliated *zakat* committees,
— the foundations,
— the member NGOs of the *General Union of Voluntary Societies* (GUVS),
— other NGOs, like, for example, the *Jordanian Women's Union* (JWU),
— the *Ministry of Social Development* (MOSD) and its NGO co-operation partners,
— public institutions with a high number of branch offices: *Development and Employment Fund* (DEF) and the *Housing and Urban Development Corporation* (HUDC),
— co-operatives and
— mutual insurance organisations (the family and solidarity funds shared by Palestinians originating from the same town or village).

Three groups of organisations were found to be appropriate potential agents: (i) two MFIs, (ii) the *Zakat Fund* and *zakat* committees and (iii) two foundations, the *Jordan Hashemite Fund for Human Development* (JOHUD), and the *Noor al-Hussein Foundation* (NHF). With the exception of the MFIs, however, these institutions would need training in financial affairs. GUVS and its member NGOs might also consider becoming active as agents in micro-insurance, but in addition to training they would also be in need of substantial capacity-building.

Insurance companies that are willing to design and manage micro-insurance in their role as partners should consider co-operating with different types of agents at the same time to maximise the outreach of a possible micro-insurance scheme and to minimise risks. The recommended groups of organisations – NGOs, MFIs and *zakat* committees – each have their specific strengths and weaknesses and address different social groups and geographic areas. NGOs and *zakat* committees, on the one hand, are active in favour of very-low-income groups, but they have no experience in financial affairs. The MFIs, on the other hand, have considerable experience, but most of their clients are middle-income groups.

Micro-finance Institutions

The four MFIs built up by *The AMIR Programme* (see p. 37) would be appropriate agents in micro-insurance schemes. Their experience with financial products and their well-trained staff are important strengths of this group of organisations.

Outreach. In comparison to some of the other groups of organisations, the potential outreach of the MFIs is rather limited. They should not conquer new markets but serve their active borrowers to keep transaction and information costs low. The number of active clients amounts to some 10,000 for all four MFIs.

Commitment and proximity to target group. The MFIs' commitment to the needs of low-income groups is limited, their relations with clients are limited to the credit business. They have some understanding of the needs of low-income groups but lack the long-term personal relations required to overcome the information asymmetries inherent in insurance business. Three of the four MFIs are based in higher-income quarters. Moreover, the MFIs target not the most vulnerable but rather the

Table 17: Strengths and Weaknesses of Potential Agents

Criteria	results for different groups of organisations									
	MFIs	*Zakat Fund* & committees	foundations	GUVS	JWU	MOSD	DEF	HUDC & co-operating NGOs	co-operatives	mutual insur-ance clubs
Confidence of target group in institution	N/a	++	+	+	n/a	+	n/a	n/a	0	n/a
Outreach	0	+++	+	++	+	+	0	+	0	0
Proximity to target group **Commitment to target group**	0	++	+	++	++	0	0	++	0/ ++	++
Proficiency of staff	++	+	+	0	+	+	+	+	0	0
Experience with financial products	+++	0	++	++	0	0	+	0	0	++
Administrative capacity and performance	++	+	0	0	+	0	0	0	0	0
Organisational and financial stability	+	+	++	0	0	++	++	+	0	0
Willingness to participate in micro-insurance (and co-operate with commercial insurance companies)	++	+	++	+	0	+	n/a	n/a	n/a	n/a

Criterion 1 was tested in household interviews (see Annex A)

Criteria 2 - 9 were assessed by interviews with representatives of the listed organisations and by an analysis of printed information materials. A detailed guideline for the interviews conducted with possible micro-insurance agent institutions is attached to Annex A.

Operationalisation of criteria:

Confidence of target group: (++) almost all interviewed households... ; (+) majority of interviewed households...; (0) minority of interviewed households would trust institution

Outreach: (+++) close to nation-wide outreach; (++) minimum of 100 active branches or members are active in majority of urban low-income quarters; (+) minimum of 20 active branches or members are active in majority of towns; (0) other.

Proximity to target group: (++) staff from target-group AND basis of organisations in low-income quarters; (+) main area of activities in low-income quarters; (0) other.

Proficiency of staff: (++) staff is selected according to pre-defined criteria AND trained in professional courses; (+) staff is selected according to pre-defined criteria OR goes through institutionalised on-the-job training; (0) other

Experience with financial products: (+++) is running sustainable micro-credit programme AND is responsible for product design itself; (++) is organising mutual insurance OR running credit programme AND making efforts for sustainability, (+) is running credit programme; (0) other.

Administrative capacity and performance: (++) low overhead costs AND non-bureaucratic procedures AND effective programme management AND monitoring of programme effects; (+) no monitoring; (0) other.

Organisational and financial stability: (++) sustainability AND continuity in operation guaranteed; (+) sustainability OR continuity in operation guaranteed; (0) neither is guaranteed.

Willingness to participate in micro-insurance: (++) have already considered building micro-insurance scheme; (+) willingness expressed in interview; (0) not willing.

upper margin of near-poor low-income groups, like e.g. small and medium entrepreneurs. Clients must have their own business and the size of loans and the high interest rates are more appropriate for small than for micro enterprises.[181]

Proficiency of staff. The MFIs have very committed and professional staff. All loan officers go through intensive micro-finance training courses and only part of their salary is fixed, so they have strong incentives to perform well.

Experience with financial products. There is no need to say that the MFIs' staff members have much experience with financial products. They would therefore need less training in insurance techniques than, e.g., NGO workers.

Administrative capacity and performance. The MFIs' ability to record clients and to administer and monitor financial transfers is excellent. Within one year, the institutions were able to substantially reduce their operational and administrative costs in the credit business.

Organisational and financial stability. It is still too early to make any statements on the MFIs' organisational and financial stability because they started operations only two years ago. However, within this short period they have reached sustainability and built up an efficient and expanding organisational structure.

Willingness to participate in micro-insurance. Three of the four MFIs have already thought about developing micro-insurance schemes. They see micro-insurance as a way to serve their clients in an additional way and to secure outstanding balances of deceased borrowers.

The *Microfund for Women* and the *Jordan Micro Credit Company* are already on the verge of introducing an outstanding balance life insurance scheme.[182] Additionally, *The AMIR Programme* plans to hire a consultant to assess the market for credit insurance.[183] Such an insurance line, however, would be more of a protection for the creditor than for the client.[184]

MFIs would be able to act as full-service insurers in offering simple products such as term life and work-disability insurance. They have sufficient experience in financial affairs and considerable administrative capacities. However, the first-best option for them would be to co-operate with a commercial insurance companies as a partner: Micro-insurance involves many risks that could endanger the financial sustainability of the MFIs' operating credit programmes. The MFIs ought to re-insure to avoid liquidity risks.

The *Zakat Fund* and its Affiliated *Zakat* Committees

Zakat committees would be ideal agents in micro-insurance schemes if they had at least some experience in financial affairs. Their programmes are very effective and have close to nation-wide outreach. Their staff is highly committed to serving the poor and enjoys full confidence.

Outreach. Some 170 *zakat* committees in Jordan are affiliated with the government *Zakat Fund* (see p. 31). They reach almost every urban quarter and the majority of villages in Jordan.

Commitment and proximity to target group. The *zakat* committees are active in lower-income neighbourhoods. Their staff originates from these same quarters, knows target group households on a personal basis and is personally well-known among them. Moreover, because of their religious motivation, they are highly committed to serving the poor.

181 MFI loans in Jordan are in the range from JD 150 to 14,000. However, the break-even point for the profitability of loans is JD 700, so that the MFIs have strong incentives to address higher-income groups only.

182 Mrs. Niveen Sharaf, *Microfund for Women,* 22 February 2001; Mr. Qais M. Al-Qatamin, *Jordan Micro Credit Company,* 10 April 2001.

183 Mr. James Whitaker, Mr. Stephen Wade and Mrs. Tanna Price, *The AMIR Programme,* 21 February 2001.

184 Cf. Del Conte (2000), p. 6.

The programmes of the *zakat* committees address only the poor, but the committees enjoy a very good reputation as well as confidence among all social strata in Jordan.

Proficiency of staff. Most of the *zakat* committees have only volunteer staff. This staff's technical proficiency is rather limited. It lacks the necessary administrative and managerial know-how to run a micro-insurance scheme. Intensive training would be necessary. However, the *zakat* committees are reported to operate in a very effective and efficient way. Moreover, the *zakat* committees would have very low costs for marketing micro-insurance, collecting primes and managing claims, because of their workers' personal relations with the beneficiaries and these workers' voluntary engagement.

Experience with financial products. At present, Jordanian *zakat* committees have no experience with financial products. Most of their operations are welfare-oriented. If *zakat* committees become active in future micro-insurance schemes, their staff must accept the difference between social assistance and insurance.

Administrative capacity and performance. Because their staff consists of volunteers, the *zakat* committees in Jordan have low overhead costs and operate in a rather pragmatic and effective way. The *Zakat Fund*, on the other hand, is a very bureaucratic and inefficient governmental institution. Hence it is recommendable to link the *zakat* committees directly to an insurance partner to avoid high overhead costs. An alternative would be to co-ordinate the work of the *zakat* committees as agents through an autonomous institution other than the *Zakat Fund*.[185]

Because of their religious character, the partner of the *zakat* committees should be an Islamic insurance company.

185 The idea is based on three special funds *(Poor Student Fund, Poor Orphan Fund, Poor Sick Fund)* within the *Zakat Fund,* which should become autonomous in 2000. This step, however, has not been taken yet. Dr. Hamdi Murad, *Umar-al-Mukhtar-Schools,* former Director General of the *Zakat Fund,* 17 April 2001.

Organisational and financial stability. The *Zakat Fund* is a well-established and stable public institution under the direct auspices of the *Ministry of Awqâf*. As to the *zakat* committees, however, most of them have discontinued operations, but they are run by volunteers and lack the institutional guarantee of stability.[186]

Willingness to participate in micro-insurance. The *Zakat Fund* has already taken into consideration that micro-insurance would be an effective strategy to reduce the vulnerability of Jordanian households, but it has no concrete plans to build up a micro-insurance scheme itself.

The Foundations

The foundations, particularly the *Jordan Hashemite Fund for Human Development* (JOHUD) and the *Noor al-Hussein Foundation* (NHF) can be recommended to play the role of agents in possible micro-insurance schemes as well. They have a large outreach and are very committed to dealing with low-income groups. However, their overhead costs are very high.

Outreach. The foundations reach a large number of beneficiaries. JOHUD is active in more than 50 communities, NHF in 23 villages. In contrast, the *Jordan River Foundation* has a small outreach, which is due to the fact that it is a much younger organisation.

Commitment and proximity to target group. The foundations have much experience in dealing with low-income groups and they enjoy much confidence among the population. However, many of their activities rather target middle- and higher-income groups. Moreover, their activities focus on rural rather than urban areas.

186 Mr. Abdel-Fattah Salah, *Ministry of Awqaf,* 25 February 2001.

Box 6: JOHUD's Outstanding Balance Life Insurance
The *Jordan Hashemite Fund for Human Development* (JOHUD) combines its micro-credit programme with an obligatory outstanding- balance life insurance including additional benefits. The insurance covers 850 active clients. The sum insured equals the disbursed loan, and the premium is 1 % of the loan size. In cases of death, the outstanding balance is reimbursed to JOHUD, whereas the instalments already made by the borrower are paid out to the survivors, thus providing the family with some benefit. The life insurance was introduced in the mid-1990s. It is re-insured through a private insurance company. The main focus of the insurance is to secure the loan portfolio of JOHUD and to lower its collection costs.
Source: Mrs. Shadia Nusseir, JOHUD, 19 April 2001

Proficiency of staff. The foundations have highly qualified personnel in their head offices, but their local staff consists of much less well trained volunteers.

Experience with financial products. Both JOHUD and NHF are running rural credit programmes. Furthermore, JOHUD already links its loans to credit life insurance (see Box 6). Nevertheless, it is quite likely that the foundations' staff would need substantial training before running larger-scale micro-insurance schemes.

Administrative capacity and performance. The overhead costs of the foundations are very high. Their work in communities is very cost-effective because of the large share of voluntary work. But the administration of some of the programmes consumes as much as 60 % of total funds.

Organisational and financial stability. The foundations are well-established and stable organisations. The foundations have proven their capabilities in various donor-financed projects and the continuity of their operations is guaranteed by their affiliation to the Royal Family.

Willingness to participate in micro-insurance. JOHUD and the NHF are very interested in taking an active role in any possible future micro-insurance schemes.

The *General Union of Voluntary Societies* and its Member NGOs

The *General Union of Voluntary Societies* (GUVS) and its member NGOs might also consider acting in the capacity of micro-insurance agents. The 800 member NGOs of GUVS have a very large outreach and most of them are active at the grass-roots level. GUVS could imagine participating in possible micro-insurance schemes. Both GUVS and its members are highly committed to the target group and have the confidence of the poor and near-poor. The proficiency of their staff is difficult to assess but will most likely differ between the NGOs. Because their activities are predominantly based on voluntary work, they mobilise local resources. GUVS has proven its capacity to implement a micro-finance programme aiming at financial sustainability in the nearer future. The staff involved has been carefully chosen and trained for this task.

However, their staff would need substantial training and the member NGOs' capacities to run micro-insurance first have to be built. GUVS and the associated NGOs face organisational weaknesses. The relation between GUVS and its members is loose and gives rise to considerable co-ordination problems.

The *Jordanian Women's Union*

The non-governmental *Jordanian Women's Union* (JWU) fulfils all of the criteria established, but it is not willing to co-operate with an insurance company.

The organisation has 10,000 contributing members and reaches many more women through two dozen branches and centres all over Jordan. The JWU is strongly committed to helping women, particularly in refugee camps, and thus has close contact to the poor and near-poor. All committees of the JWU are elected. However, the personnel lacks knowledge about financial products. Since micro-insurance could be offered through community centres, the overhead costs for such a scheme would be comparatively low. However, organisational and financial stability is weak. The JWU depends on donor funding.

The most important problem for the engagement of the JWU is that it considers the life and disability insurance contract as described in Subchapter 6.4 to be too expensive for its clients. The JWU refuses to co-operate with insurance companies making profit on low-income households and advocates the idea of re-distribution from the rich to the poor.

The *Ministry of Social Development*

The *Ministry of Social Development* (MOSD) is a potential agent in the medium and long run. It has a decentralised structure of directorates, offices and centres and co-operates with local grass-roots NGOs. The main objective of the ministry is to help the poor and other vulnerable groups. It has intensive contacts with low-income households because it is responsible for transferring the NAF's social assistance to eligible households. Hence the MOSD can play an important role in promoting micro-insurance and running awareness campaigns.

The main bottlenecks for the MOSD in running micro-insurance schemes itself are the shortage and limited training of the MOSD's staff. Moreover, an amendment of the law defining the role of the MOSD would have to be introduced - a lengthy process.

The *Development and Employment Fund*

The DEF, despite acknowledgeable strengths, should not be thought of as a potential agent in micro-insurance. Just as in the case of the MFIs, building up micro-insurance would not be too expensive for the DEF, as it is administering a credit scheme and would thus benefit from synergy effects and its long-years of experience with another financial product.

However, the outreach of the DEF and its administrative and managerial capacities are very limited. The number of active borrowers was less than 500 per year in the last decade,[187] and many of them are neither poor nor vulnerable but fairly well-off middle-income earners. The DEF is a stable and reliable government institution, but the performance of its management and staff is reported to be very weak: Overhead costs are high, repayment rates are low and its targeting is subject to severe criticism among experts.

The *Housing and Urban Development Corporation*

The HUDC is also administering a micro-credit programme, but the number of loans granted is low and the number of posts responsible for this programme's administration has been reduced from four to one half over the last three years. In all its activities, the HUDC co-operates with its own community centres, but also with autonomous grass-roots NGOs, all of them active in informal urban settlements. Thus the HUDC and its co-operation partners have considerable outreach, intense contacts to target group households and an excellent reputation among the local population. Its main responsibilities are to build up local infrastructure, upgrade squatter areas, provide social housing, foster income-generating activities and register land ownership. However, the institution is reported to be very inefficient and bureaucratic and to be completely understaffed.

Co-operatives and Mutual Family Insurance Funds

The potential of Jordanian co-operatives, family funds and solidarity funds shared by Palestinians originating from the same town or village differs substantially from one organisation to the other.

187 Cf. DEF (1999b), p. 18.

Some have clearly defined objectives, a large number of members and run a wide range of well-performing programmes, others are badly performing one-person shows, exist on paper only or do not serve low-income groups. Most importantly, however, all of these organisations have too limited outreach and lack the institutional net-working for joint action.

6.6 Opportunities and Limits

Micro-insurance is a promising strategy to improve the social protection of the urban near-poor in Jordan. It may have beneficial effects for clients, for the agent and partner organisations involved as well as for the development of the country and even the Arab region as a whole. But the potential of micro-insurance is not without limits: It is not the one-and-all solution to protect the entire population from all risks faced in their lives, and it is not without challenges.

Clients benefit. Micro-insurance offers the opportunity for urban near-poor households in Jordan to protect themselves at affordable premium levels from the negative impact of their main provider's death or work disability. Micro-insurance might also foster non-insured people's awareness of the risks they face in their lives and thus have a demonstration effect inducing households to manage risks by means of anticipatory provision. Moreover, successful micro-insurance projects might encourage commercial insurers to turn to potential low-income households and to develop other suitable products for a wider range of social groups.

The insurance partner benefits. Insurance companies that partner with agents in supplying micro-insurance gain access to new markets and clients and improve their national reputation. Moreover, the population, in general, in this way grows more accustomed to the concept of insurance, gaining confidence in commercial insurers.

The insurance agents benefit. Potential agents, such as NGOs, the foundations or *zakat* committees, need intensive training before they take an active role in providing micro-insurance. This training and their new experience with marketing financial market products contribute to building these organisations' capacities and strengthening civil society.

The Jordanian economy benefits. Micro-insurance in Jordan could boost the public discussion over the role of the state in social protection. The government might see itself confronted by a rise in pressure to tackle the problem of widespread vulnerability by reforming the operating social insurance schemes and extending their coverage. However, the government might also welcome the efforts of non-governmental actors in this field and see itself at least partly relieved from its duty to protect the unprotected.

The overall Arab world region could benefit. Micro-insurance schemes in Jordan would be a pilot experience in the Arab world. It could provide then lessons available for replicating the model in other countries, where as yet no attempts have been made.

Still, there are limits to the potential beneficial effects of micro-insurance. Benefits for the insured are limited in coverage. The micro-insurance product outlined above (see pp. 60 - 61) covers only the early death and work disability of the policyholder but no other risks such as e.g. illness, property damage, old age or unemployment.

Moreover, by definition benefits are limited in size: They are lump-sum payments, not recurrent pensions. Hence they can only enable households to manage a loss of income caused by the death or permanent work disability of their main provider for a limited period. Benefits prevent households from sudden drops in well-being and give them time to seek alternative sources of income; but they do not compensate in the long-term for the negative effects of these risks.

Finally, micro-insurance is always limited in scale, as well. The reasons are fourfold:

— Only part of the target group will subscribe when enrolment in micro-insurance is voluntary. Experience shows that no more than a quarter of the population can be reached through voluntary contributory schemes.[188]

— The near-poor with fluctuating income are unable to contribute on a regular basis and hence are unable to subscribe.

— The recommended insurance product does not address the poor. The GDI household survey revealed that some of the poor could afford to pay for micro-insurance on a regular basis, but the great majority of the poor would be unable to participate in a contributory scheme.

— The potential geographic outreach of micro-insurance is also limited because of the lack of organisations able to act as nation-wide agents. Most organisations that were noted as potential agents in micro-insurance have a limited area of action. It is difficult to reach target-group households in remote villages and urban quarters where none of the NGOs or MFIs is active. A close to nation-wide outreach can only be attained by schemes that involve all of the *zakat* committees affiliated with the governmental *Zakat Fund*.

The impossibility of any re-distribution within the scheme is another limit to the potential of voluntary micro-insurance schemes. Elements of solidarity between the poor and the rich are disincentives for the rich to enrol and result in the adverse selection of only the poorest. Re-distribution from the rich to the poor is only possible in mandatory schemes.

7 Recommendations for Reform in Jordan

To improve the social protection of the urban poor and near-poor in Jordan, we recommend a threefold strategy. The most promising way to improve the social protection of the *near-poor* is to establish micro-insurance. The *poor*, however, can only be supported by broadening the outreach of social assistance. At the same time, however, the coverage of the operating social pension and health insurance schemes should be reformed to enhance their efficiency and sustainability and make them fit for successive extensions in coverage to additional population groups. The long-term goal of these reforms should be for all population groups to be covered by a compulsory and comprehensive social insurance system.

This recommendation needs to be concretised. This chapter's task is to point to measures that might be taken by different actors in Jordan and that have the maximum positive effect on the social protection of the urban poor and near-poor in Jordan. A plan of action is outlined for each of the three fields: micro-insurance (7.1), social insurance (7.2) and social assistance (7.3).

7.1 A Schedule for Establishing Micro-Insurance

One of the major results of the foregoing chapters is that the partner-agent-model of micro-insurance was confirmed to be a realistic approach to improving the social protection of the near-poor in Jordan. Many questions, however, are still left to be answered, e.g. the implementation of micro-insurance. This Subchapter is intended to discuss

— what actors should take the initiative to establish micro-insurance in Jordan,

— what steps have to be taken to prepare, implement and monitor primary micro-insurance projects and

— how the up-scaling of these first projects can be facilitated.

Table 18 summarises the results:

188 Cf. Beattie (2000), p.133.

Table 18: Possible Schedule for Establishing Micro-Insurance in Jordan

Step	tasks	actors involved	donor support (see Chapter 8)
Initiative	additional market research	initiator: *SPP Unit* or NEF or any agent or any partner	provide or finance short-term expertise
	information on and promotion of the micro-insurance concept		*none*: initiative must come from within the country
	identification and co-ordination of interested agents and partners		
	verification of legal framework conditions	initiator AND government	*only consultancy*
Pilot project	decision on target area and on actors initially involved	all parties involved	provide or finance possible training of agent staff
	product design		*only consultancy*
	implementation		*only consultancy*
	monitoring and evaluation; amendments in product design; possible termination of project	independent evaluation team	provide or finance short-term expertise
Up-scaling / replication	information campaigns/ marketing	grass-roots NGOs, community centres media government	provide expertise
	training of additional agents	*Institute for Banking Studies*	provide training of trainers finance training in country
	capacity-building: technical upgrading of agents involved		finance initial technical equipment
	exchange of ideas	discussion forum to be founded by all actors with special support from *SPP Unit*	*only consultancy*
	arbitration		provide possible training of arbitration unit
	lobbying for favourable legislation		*only consultancy*
	implementation	all parties involved	possibly finance re-insurance fund

Initiative to Establish Micro-Insurance

It is important to stress that the initiative to establish micro-insurance in Jordan has to come from within Jordan. Any of the agents and partners involved could play this role. The organisations most suitable to raise and promote the idea in Jordan are the *Social Productivity Programme Unit* (SPP Unit) on the one hand and the *Near-East Foundation* on the other.

The SPP *Unit* (see Box 7) has four comparative advantages in taking an active role in initiating and co-ordinating the building up of micro-insurance:

— It has very good contacts to many potential agent institutions: the four sustainable micro-finance institutions (MFIs), the *Jordan Hashemite Fund for Human Development* (JOHUD), the *Noor al-Hussein Foundation* (NHF), the *General Union for Voluntary Societies* (GUVS) and the *Ministry of Social Devel-*

Box 7: The *Social Productivity Programme*
The *Social Productivity Programme* (SPP) was launched in 1998 for a period of ten years. It is co-ordinated by a special department of the *Ministry of Planning* (MOP), the *Social Productivity Programme Unit* (*SPP Unit*). Phase 1 is set to end, after three years of operation, in 2002. It is well endowed with a budget of JD 178 million, mainly financed by foreign donors. The SPP aims at reducing poverty and enhancing productivity by projects that are part of four programme components: - the *Community Infrastructure Development Component* (65 % of funds), - the *National Aid Fund Reform Component* (17 %) aiming at restructuring and expanding the NAF - the *Small and Micro Enterprise Development Component* (15 %) and - the *Training and Employment Support Component* (3 %). All projects of these components are implemented by existing or newly created public, private or third-sector institutions. The *SPP Unit*'s function is limited to co-ordinating all activities of the SPP and in the social sector in general as well as to channelling donor funds into one of the four programme components.
Source: MOP (n.d.)

opment (MOSD). Several actors are involved in micro-insurance and the SPP Unit would be the ideal mediator between them.

— The SPP Unit is part of the *Ministry of Planning* and thus has the necessary administrative influence to foster necessary legislative and policy changes at the macro level.

— Micro-insurance fits very well into the aims of the SPP - reducing poverty and enhancing social productivity. Micro-insurance could thus be introduced as another component of the programme when the next programme phase is launched in summer 2002.

— The *SPP Unit* co-ordinates donor activities in the social policy field and channels financial development assistance to different social sector projects. Hence the *SPP Unit* could easily raise the necessary funding for the start-up of micro-insurance. Experience in other countries has shown that micro-insurance needs initial donor funding.

The *Near East Foundation* (NEF) is able to promote micro-insurance by bringing in its experience in participatory research, capacity-building and monitoring. It is currently planning to carry out market research on the potential demand and the desired design of insurance for outstanding loan balances.[189]

The initiator's role is fourfold. It should (i) study in more detail the potential demand for micro-insurance, (ii) verify the legal conditions of micro-insurance, (iii) promote the micro-insurance concept in Jordan and (iv) identify interested institutions and co-ordinate them.

Market research. Additional market research is necessary to inform all involved actors about the potential demand for micro-insurance.[190] Partners and agents of micro-insurance schemes face information deficits, albeit for different aspects. Moreover, information on market structure should be a public good. Transparency lowers market entrance costs for all parties, prevents the formation of monopolistic structures and thus secures low premium levels for clients.

The insurance companies need market data to calculate appropriate premium and benefit levels, because they have no contacts with potential micro-insurance clients. Though interested in taking an active role in the new business and having sufficient

189 Mr. Majdi Al Qorom, *Near East Foundation,* 18 April 2001.

190 Cf. Brown / McCord (2000), p. 7.

financial reserves to take limited risks, they are not ready to get engaged without more detailed market research.

For other, non-financial institutions the information gap is even larger. Although some of them, like the *Zakat Fund*, the foundations, and GUVS know the target group very well, they need information on the target group's financial specifics.

Verification of Framework Conditions. Most of the necessary conditions for micro-insurance are given in Jordan. However, the margins of micro-insurance as set by national insurance regulation and the NGO law need to be (re-)viewed carefully.

The prevailing insurance regulatory legislation would not allow institutions with less than three years of experience in the insurance business to market insurance contracts. This restriction will be amended with the new law as of the year 2002. Still, the new law should be studied in detail with a view to the legal conditions for micro-insurance agents. An ideal legal regulation of micro-insurance would be simple and transparent as a means of encouraging small actors to participate and balance consumer protection with promotion of the new business.

Similarly, the NGO law has to be reviewed with any eye to the question whether NGOs should be entitled to market insurance policies and manage claims. Possibly, legal amendments would be useful.

Promotion of micro-insurance. Although a small number of organisations in Jordan are considering building up micro-insurance schemes, the concept is still very not very well known among the country's public, private and third sector institutions. For this reason, some institution must take the initiative to make the micro-insurance concept better known among relevant actors and propose appropriate institutions to play an active role in micro-insurance.

Co-ordination of interested institutions. Finally, institutions interested in acting as agents or partners in possible micro-insurance projects have to be identified and co-operation between them established. Any private insurance company could take on the role of partner, provided it is prepared to co-operate with an agent active on the grass-roots level. It is much more difficult to identify appropriate agents. We recommend giving consideration to the MFIs and JOHUD (who already have experience with financial products) and, after some capacity building, the NHF, GUVS and the *zakat* committees to take this role. All of them have close ties to low-income households and (with the exception of the *zakat* committees) are involved in the SPP.

In case of an involvement of the *zakat* committees, a partnership based on Islamic principles might be given some careful thought: Co-operation between these committees, a co-ordinating body (independent, though founded by the *Zakat Fund*), an Islamic insurance company (to re-insure the scheme) and an Islamic bank (to invest the reserves).[191]

Preparation, Implementation and Monitoring of Pilot Projects

Micro-insurance should start out with small pilot projects to reduce the negative effects of any possible failure of the project and to facilitate the evaluation of first experiences with micro-insurance in Jordan. The target area of the pilot project has to chosen carefully and the product must be well designed, because the success of the pilot project would be decisive for any possible up-scaling. Three to five years after implementation, the pilot project should be evaluated and be continued only if it has proven successful. Its design should be changed in the light of the results of the pilot phase evaluation.

Pilot-project area. The choice of an appropriate target area for pilot projects of micro-insurance must take the specifics of different urban quarters into account:

As a first step in selecting a target area, appropriate agent organisations have to be identified. Interested partners can be involved wherever the pilot project

191 Dr. Hamdi Murad, *Umar-al-Mukhtar-Schools,* 17 April 2001.

is located, but the decision for the pilot-project area and the agent involved in the project are interdependent: The agent should be strong and active in the area and have intense contacts with and a good standing among the target group households. Local community centres and grass-roots NGOs running training courses, working facilities and social activities might be best suited for the purpose.

As a second step, the results of the market research phase have to be considered. Target-group households (i.e. the near-poor) should constitute a high share of the local population.

As a third step, the density of social relations within the quarter should be studied: This is essential if the scheme is to benefit from the demonstration effect of participating households becoming better able to manage their risks than others.[192] Moreover, neighbourhood relationships should be trustful, because solidarity among neighbours is an important prerequisite for households to participate and pool their risks with other households from the quarter.

Product design. During the pilot project only one simple product should be offered: term life and work-disability insurance. More complex products could be added at a later stage.

The initial product, however, should not be coupled with credit products. Several Jordanian MFIs are about to offer their clients insurance for outstanding loan balances. It is the easiest insurance product to design. Nevertheless, for three reasons we recommend starting with a separate sale of micro-insurance contracts:

— Credit insurance is only one possible micro-insurance product. It addresses a limited number of micro-credit-clients only, most of them being small-scale entrepreneurs. Micro-insurance, however, should improve the social protection of many households and, first and foremost, address the most vulnerable.

— Credit insurance, in many cases, is more of a protection for the creditor than for the client.

— The protection of credit insurance ends when the credit is paid back.

— Micro-credit programmes have clients in many different areas. The pilot project, however, should focus on one single quarter to facilitate the monitoring of the scheme and the evaluation of its effects for individual households and the community as a whole. Moreover, micro-insurance is a community-based approach built on the self-organisation and self-determination of households; its success depends to a high degree on close contacts between the policyholders and their geographic proximity to the distribution agent.

Outstanding loan balance insurance projects can be built up separately and later be linked with the pilot project. In any case, the final goal should be close co-operation of different micro-insurance providers, which might even end up in an integration of all schemes.

Implementation. Before the products are offered, the agent involved must show proof of sufficient know-how in financial affairs and the product offered in order to be able to take on responsibility for product marketing and servicing within the pilot-project target area. Otherwise, his staff should be given qualified training in appropriate programmes.

At the beginning of the pilot-phase, only short-term insurance policies should be sold. This phase should not exceed three to five years to ensure an early evaluation of the project, and all contract terms should end with this phase. All actors involved should have the possibility to end their engagement at the end of the pilot-phase, and no titles should be left open.

On the other hand, the liabilities of the contracts sold must be secured in every case. Even if it turns out that the number of sold contracts remains too small to make the project profitable or that premiums and benefits are disproportionate for the insurer, none of the actors involved should be able to retreat before all contract terms have ended and all claims are settled. Furthermore, any illiquidity resulting from a coincidence of claims must be pre-

192 Cf. Brown / McCord (2000), pp. 5 - 6.

vented. A reliable re-insurance of the scheme is therefore essential.

During the pilot-phase, at least, photo booklets should be used to document client membership and premium payments: with clients receiving a stamp for each contribution to the scheme in their personal insurance books. Such booklets induce client trust in the scheme. For the insurer, they are cheap and easy to handle and allow for a clear identification of the person insured.[193]

Evaluation. At the end of the pilot phase, the project has to be evaluated in detail. Here, the focus should be on product design, the organisational shape of the scheme, its financial performance, the framework conditions and, of course, customer satisfaction. The evaluation ought to be carried out by an independent team and consist of either Jordanian or foreign consultants with experience in commercial insurance or even micro-insurance business. If the evaluation report confirms the pilot project as successful, it can be scaled up by the participating actors to other areas and /or be replicated by other organisations. Possibly the policy conditions, the organisational structure or the marketing strategy to be modified in the light of the pilot project's experience.

Up-scaling of the Project

Before expanding the outreach of micro-insurance, information campaigns, additional training for the participating organisations and structural capacity-building measures have to be carried out. A discussion forum could be established to (i) exchange innovative know-how between all organisations involved in the micro-insurance business, (ii) alleviate the distrust between NGOs and commercial companies, (iii) provide arbitration in case of disagreements between different actors involved and (iv) secure favourable legal framework conditions.

Information Campaigns. If micro-insurance is going to be established on a broader basis, information campaigns ought to be carried out to raise the target group's awareness about social risks, to inform them about different social protection strategies and to provide information about the concept of micro-insurance: Even though during the GDI household survey near-poor households had a very good opinion of the concept of micro-insurance, many potential clients will probably have their concerns and questions. Experience from other countries[194] shows that it is essential for the success of micro-insurance that clients are well informed about the offered product:

— Households often mistrust insurers because of negative experience made by others or themselves.
— Other households have never dealt with insurance and hesitate to spend part of their income for uncertain future benefits.
— A third group of households might be interested in participating, but they are poorly informed about micro-insurance and believe it to be too expensive for their situation and not appropriate to meet their needs.

Awareness campaigns can pursue different strategies: (i) Information brochures and leaflets should be distributed. (ii) Information workshops could be held in community centres, mosques, cultural and training centres and schools. (iii) TV advertisements could be launched. Here, the spot of the *Micro Fund for Women*'s advertising for the MFI's micro-credit programme is a good example of what such campaigns might look like. It has attracted many new clients because it was designed in a simple and understandable way.[195] (iv) Finally, grass-roots NGOs and other local multipliers will play a highly crucial role in raising the target group's confidence by word-of-mouth propaganda. Their participation is very important because they have a higher degree of acceptance and credibility among the target group than representatives of public institutions, private companies or donor agencies.

193 Cf. Brown / McCord (2000), p. 5; Roth (2001), p. 48.

194 Cf. Brown / McCord (2000), p. 5; McCord (2001b), p. 35.

195 Mrs. Niveen Abbousji Sharaf, *Micro Fund for Women,* 22 February 2001.

Training. At the same time, the staff of newly involved agents and partners has to be trained. Micro-insurance agents need special skills in marketing and selling contracts, informing about insurance conditions, underwriting, collecting primes, checking and settling claims, book-keeping, basic and ongoing monitoring, financial auditing and maintaining long-term relations with clients. The MFIs have well-trained loan officers, but they lack the specific know-how for insurance business. Other potential agents like the *zakat* committees, the foundations and the GUVS-member NGOs need even more comprehensive training. They have only recently gained their first experiences in marketing financial products in some newly established micro-credit programmes. But these programmes are not yet financially sustainable and the number of qualified staff has to be increased.

Training courses could be held by the *Institute for Banking Studies*[196], where the staffs of almost all Jordanian micro-credit programmes have been trained. For micro-insurance, particular courses could be set up and taught by nationals, who would need special training themselves.

Partners in a micro-insurance scheme also have to be up to new and unusual tasks and hence need training. Micro-insurance is different from the ordinary insurance business. As a consequence, even experienced partners have to adopt new management techniques. The start-up costs of micro-insurance can be considerably reduced if standardised, but flexible, management information systems are provided. Again, the *Institute for Banking Studies* would be an appropriate institution to offer these courses.

Structural capacity-building. Similarly, the administration and technical equipment of the micro-insurance agents is in need of capacity-building. The administrative structure of the agent organisations needs to be viewed as to its effectiveness in managing micro-insurance and their IT equipment may need upgrading.

Discussion forum. A very useful way to promote the exchange of information is to establish a specialised micro-insurance discussion forum. It could be founded with the support of the SPP but should remain institutionally independent. It would have to fulfil four major tasks:

First, the forum would promote the exchange of experience and ideas between all institutions active in the micro-insurance business and should remain open to all kinds of organisations interested in building up additional micro-insurance schemes in Jordan and or elsewhere in the Arab world. The forum would thus function as a knowledge-management and innovation centre. Experts could collect and prepare data on micro-insurance in Jordan, organise workshops and conferences on new research issues to provide policy-makers and donor agencies with up-to-date findings and facilitate micro-insurance in other Arab countries.

Second, the forum could facilitate co-operation between partners and agents of micro-insurance as a means of overcoming the prevailing mistrust between NGOs and commercial insurance companies. NGOs are often believed to be unable to work on a sustainable basis, and commercial insurers are perceived as being out only for profit. Such stereotypes are potential bottlenecks for micro-insurance schemes coming to being.

Third, the forum could act as an arbitration board active in cases of disputes between the different parties in micro-insurance business relations, i.e. in mediating between partners and agents, agents and agents and agents and clients.

Fourth, the forum could aim at lobbying for a favourable legal and political environment. It should establish intense contacts with policy-makers and thus try to influence the framework conditions of micro-insurance.

196 The Institute for Banking Studies was set up by the *Central Bank of Jordan* and major Jordanian commercial banks. The *AMIR Programme* supports the micro-finance training component.

7.2 An Agenda for Reforming Social Insurance

Micro-insurance is a promising strategy to support the near-poor in their social protection efforts, as long as they are not covered by any kind of public social protection system. Micro-insurance might even become a permanent institution protecting informal sector workers from social risks, this group of the employed being difficult to cover by mandatory social insurance schemes in any country.

However, micro-insurance is no substitute for the extension of social insurance. The provision of micro-insurance contracts by non-governmental and private sector institutions does not in any way relieve the government from its original responsibility and duty to provide adequate social protection for all its citizens. On the one hand, it is called on to support and promote the spread of micro-insurance schemes and to create favourable framework conditions. On the other hand, it must make all possible efforts to integrate as many of the employed as possible into the mandatory public social insurance system, which is the sole vehicle for redistributive elements in the field of social protection.

In Jordan, as a long-term goal, all employees and their families should be entitled to public pension benefits and be covered by a comprehensive health insurance system. Beforehand, however, fundamental reforms are due in both fields to avoid any further deterioration of their financial situation and the quality of the services available. Unemployment insurance, however, is not recommendable in the short to medium run.

7.2.1 Pension Insurance

All public pension schemes in Jordan – the scheme of the *Social Security Corporation* (SSC), the *Civil Pension Programme* (CPP) and the *Military Pension Programme* (MPP) – need to be reformed. They are responsible for securing pensions for the present and all future generations, though they face serious deficits involving their efficiency, sustainability and social fairness:

— large parts of the population are not covered by any of the schemes,

— benefits differ from one scheme to another as to their generosity,

— overhead costs are high

— their returns to invested reserves are far too low and

— benefits provided exceed by far the contributions collected in two of the three schemes; the third (the SSC scheme) will have to disinvest reserves as of 2022 and will be short of cash reserves in 2041.

Reforms have to address efficiency and sustainability problems first of all. Only then can efforts be made to extend the schemes' coverage to additional population groups. As to the SSC scheme, reforms have to get underway in five fields: (i) governance, (ii) investment policy, (iii) qualifying conditions, (iv) pension formula and (v) control of compliance.

Governance. As a first step, the SSC should be granted more independence from government interference. All directors should have a free hand in their decision-making activities. This implies that directors and board members should not be government officials and ought to be appointed for a fixed term (without any threat of dismissal before the end of a term or possibility of appointment for another term).

Apart from that, administration procedures have to be simplified and over-staffing reduced. The SSC has high overhead costs. Though administration is well staffed, it lacks qualified staff in important areas, for example actuaries and investment experts.

Investment policy. Investment regulations have to be amended to allow for more profitable investments. The low rate of return to invested reserves is the single most important reason for the fact that the SSC's income is so small that its reserves will be exhausted by 2041. We recommend that

— parliament grant the board of investors complete independence in its investment decisions and allow for investments abroad,

— a well-trained investment unit be built up within the SSC,

— the board of investors take its decisions on the base of economic rather than political considerations: that it diversify its investment portfolio, stop investments in non-interest-bearing assets (e.g. government credits) and consider increasing the share of high-yield/ high-risk investments. The average return to investment should at lest equal the interest rates of long-term savings deposits.

Qualifying conditions. Some of the SSC laws on benefit conditions are far too generous[197] and entail immense costs, which are another factor of the SSC's increasing expenditures:

— The normal age of retirement should be gradually raised from 60 to 65 for men and from 55 to 60 for women.[198]

— The generous early retirement regulations have to be amended to encourage workers to remain longer in the labour force, thus paying contributions over a longer period of time. Reductions for pensions granted to those retiring at the age of 45 have to be much higher than the present 10 %.

— All spending for minimum pension provisions should be financed by the government budget as a means of making fiscal subsidies more transparent. 90 % of all pensioners are entitled to a minimum pension substantially higher than the equivalent of contribution payments. The difference in costs reduces accrued reserves and is thus financed by future generations of pensioners or, if the SSC goes bankrupt, by the government, i.e. by future taxpayers. Redistributive elements in social protection favouring low-income earners should be financed by progressive taxes, not by contributions collected from a minority of taxpayers.

Pension formula. An actuarial division should be built up to publish regular reports on the SSC's financial position and to make projections for the financial impact of planned changes in benefit levels and conditions.

To balance out the SSC's spending and earning, the pension formula must be adjusted in accordance with the projections of this actuarial division. The accrual rate (today: 2 %) has to be markedly reduced and pensions should be based on average lifetime earnings - not on average earnings over the last two years. Moreover, they should be automatically adjusted for inflation. At present, adjustments are decided upon on the basis of ad hoc parliamentary decrees. Normally they are too low to compensate for losses in the real value of pensions.[199]

Control of compliance. Photo membership cards should be issued to all SSC-insured to reduce the risk of fraud. Every insured person would accordingly receive a card on the first day of employment so that governmental controllers can easily verify every single worker's compliance with the SSC when they visit an enterprise.

To raise the overall efficiency of social insurance in Jordan, efforts have to made to merge all of the three systems. A first step has already been undertaken; a decision was taken in 1994 that newly hired government employees will be covered no longer by the CPP but by the SSC. It would be straightforward to shift the remaining CPP insured and the armed forces, presently insured under the provisions of the MPP, to the SSC scheme as well.[200] This streamlining is recommendable to avoid double standards in social protection for different groups of the employed, to simplify administration structures, to produce synergy effects and to reduce administration costs.

197 Cf. Cichon (2000), p. 6.

198 Ibid.

199 Cf. Cichon (2000), p. 7.

200 Today, 99 % of all new government employees are covered by the SSC. However, under the present legislation it will take more than 70 years until no employee or dependant is entitled to benefits from the CPP. Mr. Umar Ibrahim Umari and Mr. Mohammad Hamdan, *Civil and Military Pension Commission, Ministry of Finance,* 26 February 2001.

But the army is a sensitive issue and it is not very likely that the MPP will be integrated into the SSC. The armed forces enjoy a special status in the Jordanian social and political system which makes it difficult to treat them like other government employees.

Nevertheless, the government might consider harmonising the benefit conditions. Today, provisions under the MPP are even more generous than under the SSC scheme and the CPP and constitute a worrying burden to the government budget. No less than 23 % of the population is covered by the MPP.[201] Initial steps to reform the MPP and harmonise it with the other two schemes might include

— increasing the minimum period of contribution from 16 years to 20 or 25 years and
— increasing the transparency of the system by raising contribution rates to realistic levels after raising real wage levels, the net effect for wage earners being zero.

7.2.2 Health Insurance

Compulsory social health insurance is the only possible strategy to improve the social protection of all Jordanian households from health risks. Subchapter 6.4 shows that micro health insurance is not feasible in Jordan (see pp. 60 - 62). However, solutions have to be found to finance such health insurance and to overcome the substantial gaps in the country's health care provisioning sector.

As a final goal, social health insurance should cover the entire population of Jordan and reimburse all medical treatment costs. For this purpose, an independent agency needs to be set up to insure all groups of the employed on a mandatory basis and under equal conditions for all: the CHIP-insured, the members of the armed forces and all other groups of the population. The nucleus of such an entity could either be the *Civil Health Insurance Programme* (CHIP) or a new agency to be established as a daughter agency of the SSC. The CHIP currently covers public sector employees only. It would need to be transformed into an autonomous public agency entirely independent of the government. The SSC is allowed by law to offer health insurance.

However, strategies have to be identified that ensure that contribution levels will either remain or become affordable for low-income earners:

First, the contribution rates of the armed forces and higher-income CHIP-insured persons ought to be substantially increased. At present, their health care is highly subsidised by the government. If the coverage of the schemes is extended to additional groups of the employed, these subsidies should instead be granted as a transfer to the general health insurance budget to subsidise the contribution rates of low-income earners.

Second, the high incidence of unjustified claims in the public and private health care sectors has to be reduced by improving the verification of claims. This task should be outsourced to private Jordanian *Third Party Administrators* (TPAs), who have developed a highly efficient system of controlling claims.[202]

Third, small co-payments for services should be charged to create incentives to use hospitals only when necessary. The poor and chronically ill, however, must remain exempted from these fees. All of them should be automatically granted *green-cards* by the MOSD to prove their need and their eligibility for free health care.[203]

Fourth, it might be useful to opt for a step-by-step approach when health insurance coverage is extended: At the beginning, the newly insured might be insured for in-patient treatment only and be

201 See Table B17 in Annex B.

202 One of these TPAs uses a fully automated system of checking claims within seconds. Applying the system requires, however, that all health service providers be computerised, have on-line access to data services and use patient smart cards. The public health providers should introduce the same technical system as to avoid different norms being used within the Jordanian health sector.

203 Based on a proposal of Dr. Yasser Adwan, *University of Yarmouk,* 19 April 2001.

charged lower contributions than those already covered by the CHIP. At current price levels, full coverage for in- and out-patient services in public and private hospitals would not be affordable for the majority of the population. Even if the insured were entitled to use public health care facilities only, contributions would stand at about 17 % of average salaries.[204] The GDI household survey found the urban poor and near-poor to have a preference for cheap health insurance covering hospital treatment only rather than any more expensive comprehensive social health insurance.[205]

At the same time, reforms are due on the health care provision side as well to address the health sector's capacity problems and the poor quality of public hospital services: The capacities of public health care facilities are overburdened, because reforms have long been neglected. Every governorate has only one public hospital financed by the *Ministry of Health* (MOH). These hospitals have very low standards and are often full. Sometimes they are forced to refuse even urgent cases. Large additional parts of the Jordanian population covered by public health insurance would confront the health care facilities with a sudden increase in the number of patients and thus aggravate the existing capacity problems.

To increase the quantity and quality of health care services, we recommend that the public sector

— buy overcapacities from the private sector[206],
— improve co-ordination between the public health providers (the MOH, *the Royal Medical Services* and the *University Hospitals of Jordan* and *Yarmouk*) to reduce the duplication in services offered, decrease administration costs and increase the number of services offered to the insured,
— build additional public hospitals and
— decentralise the administration of public hospitals to foster competition between them

At the same time, the demand for in-patient health care has to be reduced. Many Jordanians tend to consult hospitals for minor basic health problems. Part of this problem could be solved by encouraging people to take preventative measures to avoid sickness as well as by fostering the use of out-patient health care facilities through a new mandatory general referral system – the consultation of out-patient health care facilities would constitute a condition for admission to hospital.[207] One element of such a referral system is already in place in the system of white cards issued by the MOH. These cards indicate each person's nearest health centre. If a persons looks up another facility, he or she is required to pay the double normal fee.[208]

7.2.3 Unemployment Insurance

Establishing contributory – voluntary or mandatory - unemployment insurance is not recommendable. Unemployment is a serious social risk, but, for three reasons, viable solutions to the problem do not fall within the scope of risk mitigation. First, most of the unemployed in Jordan are labour-market entrants who have never worked and earned labour income. Second, unemployment insurance would include formal sector employees only and leave the much more vulnerable informal sector workers uncovered. Third, unemployment insurance would have to be mandatory because of the moral hazard as well as adverse selection problems. Contributions would have to be levied on all groups of the employed. Because of the high unemployment rate, they would constitute an unbearable burden for the employees and increase the cost of labour, distort the labour market and result in even higher unemployment.

204 Dr. Yasser Adwan, *University of Yarmouk,* 19 April 2001, referring to a study carried out by the *University of Jordan* in the mid 1990s.

205 See Annex A for more details.

206 Dr. Fakhri Al-Smairat*, Civil Health Insurance Programme, Ministry of Health,* 20 February 2001 and 4 April 2001.

207 Mr. Dwayne Banks*, Partnership for Health Reform,* 26 February 2001.

208 Dr. Fakhri Al-Smairat, *Civil Health Insurance Programme, Ministry of Health,* 4 April 2001.

The lack of productive employment is a structural problem which can only be reduced by risk prevention strategies at the macro and individual level:

- a policy of macroeconomic stabilisation and labour-intensive growth,
- an active employment policy with special focus on business credits,
- a better education policy focusing on vocational training rather than academic education.

7.3 Recommendations for Broadening the Outreach of Social Assistance

Social assistance spending in Jordan should be extended in scope and scale. This recommendation addresses all public social assistance providers, but especially the *National Aid Fund* (NAF). Public social assistance should remain a last resort of protection for the poorest segments of society. Yet the existing systems are far from covering all needy households.

Administrative and organisational reforms can do a lot to reduce overhead costs and release financial resources to be used for an extension of outreach to additional beneficiaries. Moreover, the government is called on to channel additional funds into social assistance now that consumer-subsidies – formerly a high item in government spending - have been reduced.

NAF is already on the right track with its SPP-financed reform package. This aims, on the one hand, at enhancing NAF's administrative capacities through

- decentralisation of NAF's institutional structure and better training of its staff;
- better co-ordination with other assistance schemes like the *Zakat Fund* and the foundations, as well as with institutions like the SSC and the CPP to check alternative income sources and
- computerisation of NAF's database and building of a joint computer net-work with these organisations to exchange information on-line.

On the other hand, the NAF's outreach to the poor should be broadened by means of an increase in the number of recipients;

- improved and more transparent targeting rules and practices;
- the implementation of additional programmes like vocational training and scholarships for grown-up children or partly work-disabled persons with an eye to integrating them in the labour force.[209]

However, thus far the success of the reform-package has remained limited. Some deficits of NAF have not even been addressed: Application procedures should be streamlined and facilitated and waiting periods of applicants should be shortened. Community centres could assist households in filling out formulas and applying for documents.

Households whose children turn 18 and are hence no longer eligible for assistance, should receive assistance on a lower level for a transition period. The existing integration programmes that subsidise 50 % of salaries during the first six months of employment should be enlarged.

The *Zakat Fund*, the second largest provider of social assistance, with its decentralised committees, is reported to work efficiently in the field. This is due to its activities being based on highly motivated volunteer workers. However, the fund itself is reported to suffer from bureaucratic inefficiencies and overhead costs.[210] Administrative restructuring and institutional development are the challenges to be faced.

Other measures geared to improving the efficiency of the *Zakat Fund* would be to externalise specialised funds for certain groups of the poor like the chronically ill, orphans or students as a means of

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209 Dr. Fayiz Suyyagh, *The National Aid Fund,* 20 February 2001. For a more detailed description of NAF see pp. 30 - 31.

210 Dr. Hamdi Murad, *Umar-al-Mukhtar-Schools,* 17 April 2001; Dr. Yasser Abu Hilala, *Al Jazeera Channel,* 11 April 2001.

further decentralising the fund's administrative structure. Each of these semi-independent funds should have its own consultancy and advisory board and be able to act autonomously.

8 Recommendations for German Development Co-operation with Jordan

This chapter aims at identifying possible effective approaches for a German contribution to reforms and development in the field of social protection in Jordan. In accordance with the main topic of this study, the focal point is micro-insurance. Nevertheless, it takes into account the overall objective of creating a comprehensive and pluralistic social protection system that responds to the needs and capacities of different social groups and makes proposals for development co-operation in other fields of social protection as well.

The main recommendation for Jordanian-German development co-operation is to get engaged in reforming social protection in Jordan. Poverty and the vulnerability of households to risks are among the country's most serious problems. The government is willing to enhance its social policy strategy but most institutions active in this field face serious problems with their technical and financial capacities in putting the reforms suggested in Chapter 7 into practice. Thus far social protection has been widely disregarded by the international donor community.

A special focus should be on promoting micro-insurance. Here, German development co-operation has comparative advantages because of its experience in supporting micro-insurance projects in other countries. Donor assistance is essential to alleviate specific bottle-necks in the micro-insurance approach by consulting all involved actors, training their staff, funding market-research studies, information campaigns and initial technical infrastructure investments and providing short-term expertise for specific issues.

The line of argumentation starts out with an analysis of the framework conditions for Jordanian-German development co-operation in the field of social protection (Subchapter 8.1) and an overview on the activities of other donors in this field (Subchapter 8.2). Finally, Subchapter 8.3 looks into the potential of a German commitment aimed at supporting social protection in Jordan and outlines possible instruments to promote micro-insurance, to support the reform of social insurance and to build capacities in the *Zakat Fund*.

8.1 The Framework Conditions

Donor support in the field of social protection is necessary when a country

— faces severe social problems such as widespread poverty or vulnerability to risks but

— lacks the know-how, the technical instruments or the financial means to solve these problems.

Donor support in the field of social protection, however, is only possible

— when it is possible to solve the identified problems by means of concrete reforms,

— when the relevant governmental and non-governmental organisations in social protection themselves take the initiative in implementing these reforms and

— when there is general consensus in society in favour of the reforms.

Donor support in the field of social protection, finally, can be expected to be effective only if the government is committed to the targeted reforms, i.e.

— if it is prepared to support or at least tolerate the reforms,

— if the reforms are embedded in a poverty-reducing economic, financial, tax, budget and legal-policy framework and

— if the legal control and regulation mechanisms are effective in protecting the social systems and their beneficiaries.

These are the main messages of a position paper of the *German Federal Ministry for Economic Co-operation and Development / Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung* (BMZ) on "*Supporting Social Security Systems in Developing Countries*" of March 1999.[211] That paper stresses that the poor and near-poor must be the main target-groups of German development co-operation in the field of social protection.

The paper furthermore mentions the guiding principle of subsidiarity, which is relevant at two levels: First, reforms in the field of social protection should not replace the risk management efforts of households at the individual level but only bridge gaps left by these efforts, i.e. support households when they are unable to manage their risks on their own. Second, development co-operation should address only the bottlenecks of national reform capabilities. It should not or crowd out domestic actors' activities and commitments in the reform process but instead act as a catalyst to mobilise as many national actors and resources as possible.

As to these criteria, Jordanian-German development co-operation in the field of social protection is necessary, possible and holds promise of being effective:

Social protection reforms are necessary. Chapter 3 has argued that poverty is a widespread problem, which can be traced back to the vulnerability of households to risks. Chapters 4 and 5 have illustrated the serious gap in today's social protection systems.

Social protection reforms are possible. Chapters 6 and 7 have listed a number of potential approaches to extending the coverage of social protection to the urban poor and near-poor, the main target groups of German development co-operation. Moreover, they have shown that micro-insurance is the most promising approach to reducing the vulnerability of near-poor households in the short run; that large parts of the population would welcome this innovative concept; and that a considerable number of organisations are able to play and interested in playing an active role in possible micro-insurance projects.

Social protection reforms are expected to be effective. The Jordanian government has recognised the importance of social development, and it is highly committed to improving the outcome and framework conditions of social policy. The country has undergone a deep transformation process over the past few years, and a considerable number of reformatory laws have passed parliament. To give an example: insurance and financial market regulations have been amended. Many community and women's empowerment programmes have been launched.[212]

However, some very important reform projects have not been implemented. In most cases, decision-makers have flinched from the initial plans because they faced insurmountable resistance from vested-interest groups. Before a consensus and commitment to reforms is reached, development co-operation should hold back with support in these particular fields.

The main obstacle to social protection reforms is in fact a lack of essential technical capacities and capabilities. Many of the reform proposals listed are new approaches for Jordan. For example, the country generally lacks experience with micro-insurance.

Moreover, many reform projects also lack the necessary funding. The country's structural adjustment programme is putting strong pressure on the budget, narrowing the scope social development projects.

8.2 Present Donor Activities

Despite the country's need for support in reforming social protection, little development co-operation is underway in this important policy field. Numerous donors are active in Jordan. All of them see poverty reduction as one of the most important policy goals

211 BMZ (1999), p. 9.

212 Dr. Abla Amawi, *UNDP Jordan,* 25 February 2001. Cf. also UNDP (1998), p. 6; UNDP Jordan (2000). See also Chapter 4.

and social protection as a crucial instrument in this respect.

Some of the most important issues in the field of social protection have not been addressed by development co-operation. Some bilateral and multilateral donors are supporting the reform of the health care sector and the *National Aid Fund* (NAF), others run social development projects (micro-finance, community development and vocational training). In the past, some donors also supported income-generating projects and the reform of social assistance. However, as far as risk mitigation systems like social, commercial or micro-insurance are concerned, no donor activities are underway, apart from other short-term consultancy on reforming the *Social Security Corporation* (SSC), the *Civil Pension Programme* (CPP) and the public health insurance schemes (see Table 19). No micro-insurance projects are planned as yet.

The Jordanian *Social Productivity Programme* (SPP) is financed by a number of bilateral and multilateral donors (see Box 7, p. 76). Loans are provided by the *World Bank*, the German *Kreditanstalt für Wiederaufbau* (KfW), Italy, the *Arab Social and Economic Fund* and the *Islamic Fund*. Grants are provided by UNDP, Germany and USAID. Each donor is engaged in specific components of the SPP in accordance with its development strategy.[213]

The *United Nations Development Programme* (UNDP) has concentrated its activities on public sector capacity-building, conservation of natural resources and poverty eradication.[214] As far as poverty alleviation is concerned, UNDP has budgeted US-$ 2.8 million to enhance the governments' abilities to reduce poverty at the national level. The lion's share of these funds are dedicated to the SPP to finance the NAF reform project, vocational training for the unemployed and micro-credit projects of very low income-earners. Furthermore, UNDP is financing Jordan's first *National Human Development Report.*

The *United Nations Relief and Works Agency for Palestine Refugees in the Near East* (UNRWA) has been providing hardship assistance, primary health care and education services to registered Palestine refugees for almost five decades (see pp. 37 - 38). However, from year to year UNRWA's activities have had to be cut down because of repeated reductions in funding by UNRWA's donors. Its total budget for programmes in Jordan was US-$ 75 million in 1999.[215]

The main focus of the *United Nations Children's Fund* (UNICEF) is on promoting children's and women's rights within development and enhancing maternal and child health. Moreover, UNICEF is funding education and community empowerment projects.[216]

The *International Labour Organisation* (ILO) has conducted an actuarial assessment of the projected effects of the draft social security law amendment on the financial position of the *Social Security Corporation* (SSC) in November 2000.[217]

The *World Bank* supports a programme of the *Ministry of Health* aimed at decentralising the public hospital system. As a donor of the SPP, the Bank is co-financing the reform of the NAF, the *Community Infrastructure Programme* and the *Training and Employment Support Programme*. Apart from that, it runs an NGO capacity-building programme[218]

The *International Monetary Fund* (IMF) is consulting the *Ministry of Finance* with regard to reform of

213 Dr. Mustafa Al-Saleh, Mr. Adel Basbous, Mr. Omar Al-Rafie, *Ministry of Planning,* 15 February 2001; Dr. Gaith Fariz, *Social Productivity Programme Unit, Ministry of Planning,* 21 February 2001.

214 Cf. UNDP Jordan (2000), p. 5.

215 Cf. UN (1999). UNRWA's main donors are the United States, the European Union, Japan, Sweden, the UK, Norway, Germany, Canada, Denmark, the Netherlands and Spain.

216 Dr. Maha Shadid and Mrs. Muna M. Idris, *UNICEF Amman,* 20 February 2001. Cf. UNICEF Jordan (1998).

217 Cf. Cichon (2000).

218 Dr. Fakhri Al-Smairat, *Civil Health Insurance Programme, Ministry of Health* 20 February 2001; Mr. Zaid Al-Kayed, 20 February 2001.

Table 19: Donor Engagement

	social assistance	health care	health insurance	pension insurance	micro-insurance	micro credits	other
SPP[a]	reform of the NAF					sustainable micro-finance	vocational training; community development
UNDP							*public sector capacity-building*
UNRWA	refugee hardship assistance	refugee primary health care					refugee primary education
UNICEF		maternal and child health					community empowerment
ILO				*assessment of SSC*			
IMF				*reform of CPP*			
World Bank		*decentralisation of hospitals*					NGO capacity-building
USAID		health sector reform	*reform of health insurance*			sustainable micro-finance	
KfW						loan to the DEF	squatter-upgrading
International NGOs						micro-credit schemes	income generation for women

In italics: only consultancy projects.

[a]The *Social Productivity Programme* (SPP) is predominantly financed by donors.

the *Civil Pension Programme* (CPP). It has recommended integrating the CPP-insured into the pension programme of the SSC.[219]

The *United States Agency for International Development* (USAID) is Jordan's most important bilateral development partner. In the year 2000 alone, it spent approximately US$ 200 million in Jordan. USAID[220] is active in three fields: (i) water management, (ii) economic development and (iii) health and population growth. Only the latter two are relevant for social protection: With regard to economic development, *The AMIR Programme* (*Access to Micro-finance & Improved Implementation of Pol-*

219 Mr. Umar Ibrahim Umari, *Civil and Military Pension Commission, Ministry of Finance* and Mr. Mohammad Hamdan, *Ministry of Finance,* 26 February 2001.

220 Mr. Roy Grohs, *USAID Jordan* and Mrs. Toni Christiansen-Wagner, *USAID Jordan,* 20 April 2001. Cf. also USAID, Jordan Mission (2000).

icy Reform) is of special interest.[221] It aims at creating a favourable environment for small-scale entrepreneurs and to encourage households to invest in business projects as a means of diversifying their income sources. It does so by providing funding for the four market-based micro-finance institutions (see p. 37). To support reforms in the health sector, USAID is funding a project on *Partnerships for Health Reform* which is carrying out research in the health sector and providing policy advice to the MOH. It has built up a system of national health accounts and supported a pilot decentralisation project in two MOH hospitals. The next project phase will focus on primary health care and the implementation of an efficient referral system.[222]

Germany is running three development co-operation projects in the field of social development, all of them financed by the *German Bank for Reconstruction/ Kreditanstalt für Wiederaufbau* (KfW). The first is a squatter-upgrading programme carried out by the *Human and Urban Development Corporation* (HUDC). The second is the SPP's community infrastructure development programme. The third is a micro-finance loan to the *Development and Employment Fund*.

8.3 Potential Approaches

Thus far the most important task of social protection reforms has not been addressed by either Jordanian decision-makers or foreign donors. This task is to end the exclusivity of public social insurance for formal sector employees, i.e. to improve the social protection of the poor and near-poor. Donors should give priority to supporting this target group through the provision of risk-pooling products rather than social assistance. In buying insurance products, people opt to provide and pay for their own protection against social risks.

In view of the global upsurge in micro-credit, it would make sense for donors to promote micro-insurance. Micro-insurance is a strategy for the urban near-poor to pool their risks. It prevents households from falling under the poverty line and thus reduces the number of people living in poverty as well as the requirements for social assistance spending. Hence it is complementary to income diversification instruments like micro-credits. Micro-insurance, however, affects poverty levels in a much more preventive mode than does micro-credit, which aims at improving people's well-being when they are already poor.

Nevertheless, the potential of micro-insurance in Jordan is limited in outreach and coverage. As a consequence, while focusing on micro-insurance, donors might at the same time consider supporting complimentary social protection reform strategies such as social insurance reform. In the field of social assistance, capacity-building of the *Zakat Fund* might be considered.

This recommendation also applies for German development co-operation. The German BMZ has recently decided to concentrate its co-operation with Jordan on drinking water and waste water management.[223] The rationale for this decision was twofold: First, German development co-operation has profound technical know-how in water management issues. Second, both German implementation agencies, the *German Bank for Reconstruction/ Kreditanstalt für Wiederaufbau* (KfW) and the German *Gesellschaft für Technische Zusammenarbeit* (GTZ), have been active in the water sector for several years and have thus gained valuable experience under the Jordanian framework conditions. However, despite the recent decision to focus on water management, direct poverty eradication is still regarded a top priority field for German development co-operation in the Arab world in general and in Jordan in particular, and micro-insurance is one of the most effective approaches in this field.

221 Mr. James Whitaker, *The AMIR Programme,* 21 February 2001.

222 Dr. Fakhri Al-Smairat, *Civil Health Insurance Programme,* Mr. Zaid Al-Kayed, *Ministry of Health,* 20 February 2001 and Mr. Dwayne Banks, *Partnership for Health Reform,* 26 February 2001.

223 Mr. Richard Avedikian, *Kreditanstalt für Wiederaufbau,* 20 February 2001, Mr. Burghard Kehr, *Deutsche Gesellschaft für Technische Zusammenarbeit,* 13 February 2001 and Mr. Martin Kaiser, consultant, 23 March 2001. Cf. also BMZ (1998), p. 6.

Supporting initiatives to establish micro-insurance in Jordan is very much in accord with the overall BMZ objectives and guidelines as formulated in the above-mentioned BMZ position paper:

According to this paper, the objective of development co-operation "*is not so much to create totally new systems but to reach the poor target group, to adjust, expand and complement the existing systems and design them in such a way that they can be financed.*"[224]

On the other hand, the paper favours "*to create a suitable complement to central government systems in the form of decentralised social security systems.*"[225] It proposes supporting co-operative systems and private sector alternatives to public social insurance. The optimum result is a pluralistic, decentralised network involving individual, community- and co-operative-based activities as well as private and social insurance. In particular, the linking of and interaction between private, public and co-operative / community-based systems are seen as a promising approach. In this context, the BMZ[226] explicitly mentions the co-operation between private insurance companies and non-governmental organisations such as the case of the micro-insurance project of the *Self Employed Women's Association* (SEWA) in India.

Nevertheless, the paper[227] sets limits to official German development co-operation in the field of social protection:

— It should be designed in such a way that the systems supported become sustainable in themselves or maintainable by national resources. German commitments must be limited in scale and time. Their task is to overcome the initial bottlenecks in the reform of existing systems or development of new systems, but not to provide long-term assistance.

— The systems supported must be looked into with an eye to their efficiency and social fairness. A compromise has to be defined between these two conflicting goals that takes the specific national context into consideration. This means that it must be guided by historical experience, religious and cultural values and the prevailing social norms of the country concerned so as to ensure a general social consensus concerning the reform supported.

— Participation of the target group – the poor and near-poor – must be ensured. Society at large must be involved in defining the reform objectives and civil society organisations are expected to play a role. It must be certain that no individuals or entire population groups are excluded from the beneficial effects of the reforms.

— Ownership and commitment of the actors involved is imperative.

— The reforms supported must primarily target the poor and near-poor.

To respond to these guidelines, technical co-operation is recommendable. Germany can provide limited financial contributions to a temporary reform process or the start-up of new projects (e.g. for local experts, technical equipment, capacity-building, emergency funds, market research, initial marketing campaigns), though long-term commitments or the direct funding of benefits are incompatible. Potential instruments of technical co-operation include

— workshops and conferences to raise public awareness, foster and disseminate information, intensify the policy dialogue, document and exchange international experience;

— short-term expert missions to provide consultancy with regard to management structures, administrative procedures, monitoring, regulation, data-processing, legislative issues etc.;

— long-term expert missions to facilitate reform processes and co-operation initiatives;

— market research and studies identifying target groups and openings for activities; and

224 BMZ (1999), p. 12.

225 BMZ (1999), p. 10.

226 Cf. BMZ (1999), p. 13.

227 Cf. BMZ (1999), p. 11.

— the training of government employees and NGO staff and the training of trainers.

The following sections discuss the potential role of development co-operation in supporting social protection reforms in the fields of micro-insurance (8.3.1), social insurance (8.3.2) and social assistance (8.3.3) by means of any of the instruments listed.

8.3.1 Establishing Micro-Insurance

Possible initiatives aimed at developing micro-insurance schemes should be granted support by Jordanian-German development co-operation. The approach is perfectly within the scope defined by the BMZ position paper on supporting social protection in developing countries, and the German GTZ has gained experience with micro-insurance in several countries.[228]

This support should in the first place be technical co-operation. Financial co-operation certainly has a role to play in specific cases. Experience with micro-insurance in other countries shows, however, that while subsidisation of micro-insurance – even more than the subsidisation of micro-credit – may constitute security for providers, it also tends to reduce incentives to raise efficiency, improve products and observe and address negative developments. At most, donors should give subsidised resources as in-kind grants.[229]

The role of donors in micro-insurance is fourfold: (i) to help overcome the initial costs and technical problems involved in establishing and up-scaling micro-insurance, (ii) to reduce financial and institutional risks for the actors involved, (iii) to facilitate interaction between the state and the actors involved and between different groups of actors and (iv) to speed up the emergence of micro-insurance projects.

The first two objectives do not need explanation. To understand the third, one must take into consideration that the relevant organisations in most countries are not familiar with the concept of micro-insurance. In many cases, donors must be accepted to act as 'genetic engineers.' They can inspire appropriate actors to build micro-insurance projects, collect, condense and pass on lessons on good practice, measure processes and give technical assistance. This is important because "*evolution by trial-and error would take too long*".[230]

As to German development co-operation, it is in accordance with the guidelines set out by the BMZ position paper to say that the setting up of micro-insurance projects in Jordan (as noted in Subchapter 7.1; see Table 18, p. 75) can be supported in six domains: (i) detailed market research and impact monitoring, (ii) training, (iii) administrative and technical capacity-building, (iv) marketing and information campaigns, (v) re-insurance and (vi) forming a discussion forum. Of course long-term consultancy may be provided by an expert during all phases of the micro-insurance project. This expert might be positioned with the initiating institution (e.g. the *SPP Unit*).

Market Research and Impact Monitoring

German development co-operation could provide expertise or funding for more detailed market research. All actors involved in micro-insurance urgently need information on the scale and structure of the demand for micro-insurance products, but most NGOs lack the necessary financial resources and insurance companies may be reluctant to cover the costs of large-scale surveys before they know that their commitment will pay off.

For this purpose, the GTZ could send a short-term mission of their own experts. However, it would be preferable to provide only the funding to engage local experts, e.g. from the *Near East Foundation* (NEF), the *Center for Strategic Research* or the *Jordanian Department of Statistics*. Support might

228 The most prominent micro-insurance projects with GTZ support are SEWA in India and the Social Health Insurance Networking and Empowerment Project (SHINE) on the Philippines. Cf. BMZ (1999), p. 13; Freiberg-Strauss (1999); Lund / Srinivas (1999), p. 61 and Annex case 6.

229 Cf. Brown / McCord (2000), p. 14.

230 Schreiner (2000), p. 423.

be provided by international micro-insurance experts to design the questionnaires, or for the interview guidelines of the survey.[231]

Also, development co-operation could provide the expertise or funding for monitoring and evaluating the project. During and after the pilot-project phase, a detailed impact assessment should be conducted. The clients and all actors involved should be interviewed on their satisfaction with the partnership scheme and the product offered. Such an evaluation requires special attention, because the success of the project's up-scaling or replication heavily depends on the experience gained during the pilot phase. Hence it should be carried out by specialised experts.

Training

Training the staff of micro-insurance providers is perhaps the most important target of development co-operation. The lack of experience with financial products among NGOs will certainly turn out to be the major bottleneck when micro-insurance projects are set up in Jordan. The know-how and proficiency of their staff is essential for the success of the agent-partner model concept.

Before and during the pilot project phase, the training of the involved actors' staff could be provided by donor-financed experts. Thus far no suitable training capacities are available in Jordan. Again, the GTZ could put to use its experience with micro-insurance in India.

In the long run, however, such training should be done by Jordanians in Jordan to secure the sustainability of the scheme. For this reason, before the pilot project is scaled up, development co-operation is needed to train nationals to give training courses to additional distribution agents. These courses might be held at the *Institute of Banking Studies* which already trains the staff of Jordan's four sustainable micro-finance institutions.

German development co-operation should not only provide the training of trainers but also finance part of the costs of the training courses offered at the *Institute of Banking Studies* to replicate the pilot project. Such support is useful to subsidise the start-up costs of micro-insurance and thus create incentives for commercial insurance companies and NGOs to participate. Nevertheless, the commercial insurance companies involved should be able to cover the rest of the costs. It is in their own interest to co-operate with well-trained agents. Moreover, the Jordanian state might also contribute to demonstrating its commitment to the project.

Administrative and Technical Capacity Building

Development co-operation should facilitate the development of appropriate institutional structures, systems and policies: It might consider assisting in institutionalising co-operation, designing manuals and procedures and building, establishing standardised internal audits and dispute-settling mechanisms for the scheme. Moreover, it might also consider financing some of the necessary initial technical equipment of the agents involved, who lack, for example, the start-up capital to buy computers and software needed for book-keeping. The speed of the pilot project's up-scaling depends heavily on the capacities of the agents, and economies of scale are essential for the scheme to sustain itself.[232]

Marketing and Information Campaigns

Donor support might be needed to launch the initial marketing and information campaigns once the project has been scaled up. Technical assistance my be helpful to impart know-how on marketing techniques, the design awareness campaigns and the presentation of information in advertisements, information brochures and workshops. No financial

231 *MicroSave-Africa* has developed a toolkit for market research for all classes of micro-finance. For more information, cf. http://www.microsave-africa.com/market_research.asp.

232 Cf. Brown / McCord (2000), pp. 14 - 15.

assistance should be granted, however. The costs of the marketing and awareness-building activities can be covered by the commercial insurance partner; the campaigns have positive spin-off effects on the sale of the insurer's other, conventional, products as well as on its general reputation.

Re-insurance Fund

If at all, standard financial co-operation should only take place in the field of re-insuring the scheme. The commercial insurance partner might feel unable to cover the whole risk entailed by micro-insurance – especially during the pilot phase, when it might turn out that the pricing of the product is not appropriate, while claims have to be settled to avoid any erosion of client confidence. Moreover, even after years of operation, catastrophic events may result in an unexpected coincidence of claims that the insurance partner is unable to compensate for by other business lines.

In the form of private-public-partnership (PPP), official development co-operation might facilitate the provision of re-insurance by international companies. To reduce the risk of the actors involved, insurance companies re-insure their conventional products with large companies who have the capacity to pool risks world-wide. Re-insurance companies should be prepared to bear these risks and possibly pay for claims. They have great interest[233] in partnering in micro-insurance in the Arab world, because such an engagement would improve their reputation and standing in the region and increase their market share.

However, a donor-financed re-insurance fund is imperative in the case that re-insurance companies are not prepared to deal with micro-insurance. Such a fund could be established with the initiator of the project or with any neutral institution which is prepared to co-ordinate the various actors involved. Payoffs should be granted in the above-mentioned emergency cases only. No hidden subsidisation of the micro-insurance scheme should take place, as in the case of SEWA. The Indian organisation was granted a GTZ-sponsored re-insurance fund carrying a principal-plus-inflation maintenance requirement. It is now financing a fifth of its administration *and* benefit spending through the annual real interest of the fund of US$ 450,000.[234] This exceptionally high capital income clearly constitutes a disincentive for SEWA to improve the efficiency of its scheme and the design of the product offered. On the other hand, the fund was essential for the survival of the scheme when an earthquake hit the SEWA project area in 2000.

Discussion Forum

The forming and development of a discussion forum might also call for technical donor support. To fulfil its four tasks (exchange know-how, facilitate co-operation and arbitrate between involved actors and lobby for favourable framework conditions), the discussion forum will probably depend on qualified expertise – at least in its initial phase. A long-term mission of a GTZ consultant would constitute useful backing.

Finally, the 'neutral' position of development agencies may be useful to defuse potential political conflicts between the government and the actors involved and mediate between partners and agents of micro-insurance and thus play an essential role in facilitating lasting co-operation partnership.

8.3.2 Reforming Social Insurance

Technical assistance might be needed to support one or another reform in both Jordan's public pension schemes and health care provision sector. The aim of such reforms is to restore the financial sustainability of the systems, a prerequisite for any attempt to broaden their coverage. As to German commitments in these fields, however, it would be important to look into whether Germany has comparative advantages in these fields and to ensure that no other donors are already engaged here. In addition,

233 Mr. Volker Dietrich, *Munich Re,* 23 September 1999.

234 Cf. McCord / Isern / Hashemi (2001), p. 21.

the government must prove that it is committed to the reforms supported.

Pension Insurance

A commitment of German development co-operation in the field of public pension insurance is not recommendable at the time being. The political decision-makers are obviously not prepared to reform the operating schemes in such a way as to secure their long-term financial sustainability. They admit the need to merge the three schemes and recognise the bleak financial future of the *Social Security Corporation* (SSC).[235] Nevertheless, all implemented, ongoing and planned reform projects fail to tackle the sustainability issue and are further aggravating the SSC's financial position.

Even though the commitment of the Jordanian government is growing, Jordanian-German bilateral development co-operation is probably not the most suitable vehicle of support. All single measures should be embedded in a comprehensive reform agenda to be designed and accompanied by an institution like the *International Labour Office* (ILO), with its extensive experience in social insurance reform. Germany could at the utmost provide support for individual components within the reform programme. Moreover, the SSC still has sufficient reserves to finance the outstanding reforms. Hence only technical support should be granted:

— An investment expert might be sent to Jordan to assess the SSC's current investment policy and work out a guideline for a new portfolio investment strategy. Moreover, the staff of a new investment unit could be trained by German experts.

— An actuarian could view the SSC's benefit formula and benefit conditions and make proposals for legal amendments to restore a financial balance. As a contribution to long-term autonomy, technical support might be provided to build up an actuarial unit with the SSC.

— This same actuarian could also assess the CPP and MPP and make proposals to harmonise these programmes' benefit conditions with those of the SSC. Here, it could also help to mediate between the interests of different pressure groups.

Health Insurance

Despite the engagement of the World Bank and USAID, German technical co-operation could play a role in reforming the Jordanian health sector. The Jordanian government seems to be committed somewhat more to carrying out reforms in the health sector than in public pension schemes. It has agreed on a USAID-financed project to (i) strengthen capacity for health sector planning and implementing health reforms, (ii) improve public hospital autonomy, (iii) build health provider capacities (in accounting, pricing and processing data) and (iv) establish universal health insurance.[236]

German development co-operation, might, for example, provide support toward

— introducing an efficient automated claim management system administered by a powerful third-party agency,

— building capacities within the nucleus of a future social health insurance corporation (either the CHIP or a daughter agency of the SSC),

— co-ordinating the three operating public health care providers.

8.3.3 Reforming Social Assistance Schemes

The potential scope of German development cooperation in the field of social assistance is rather limited. The *National Aid Fund* (NAF) is already in

235 Mr. Ahmad Abdel-Fattah, *Social Security Corporation,* 17 February 2001; Mr. Mohammad Hamdan, *Ministry of Finance,* 26 February 2001 and Mr. Umar Umari, *Civil and Military Pension Commission, Ministry of Finance;* cf. ILO (2000).

236 Mr. Dwayne Banks, *Partnership for Health Reform,* 26 February 2001.

the midst of a reform process. This reform is one of the four components of the donor-financed SPP. Hence no additional support is needed for the time being.

If asked for, German development co-operation could, however, support the second provider of social assistance in Jordan: to build capacities in the *Zakat Fund*. While the *zakat* committees are said to operate in a highly efficient way, the *Zakat Fund* is a bureaucratic institution which suffers from inefficient procedures and high overhead costs. An organisational assessment could provide valuable support.

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List of Interlocutors by Name

NOTE: All interlocutors are listed with the position held on the day of the last official meeting with the GDI team as given below.

Abdel-Fattah, Ahmad, General Director, Social Security Corporation; Amman, 17 February 2001

Abdulhamid, Maha Rantisi, Deputy Chief Field Relieff and Social Services, United Nations Relief and Works Agency for Palestine Refugees in the Near East; Amman, 22 February 2001

Abu Ayyash, Evelyn, Assistant Director, Friedrich-Ebert-Foundation, Amman Office; Amman, 18 May 2000

Abu-Goura, Dr. Khaled M., Ph. D., Deputy General Manager, The National Ahlia Insurance Co.; Amman, 21 February 2001 and 25 March 2001

Abu-Hammour, Dr. Mohammad S., Secretary General, Ministry of Finance; Amman, 22 April 2001

Abu-Hazeem, Lutfi, Under-Secretary for Governorate Affairs, Ministry of Finance; Amman, 22 April 2001

Abu Hilala, Yasser, Correspondent, Al-Jazeera Channel; Amman, 11 April 2001

Abu Nasir, Ghassan, Housing and Urban Development Corporation; Amman, 27 February 2001 and 29 March 2001

Abu Rish, Munif M., Director, Social Development Department, The Jordanian Hashemite Fund for Human Development; Amman, 18 February 2001

Abuyaghi, Ghassan E., General Manager, Ahli Microfinancing Co.; Amman, 20 February 2001

Adwan, Dr. Yaser M., General Director (until 2000), Social Security Corporation; Amman, 21 May 2000

Aghabi, Nevaf, Global Development Forum; Amman, 21 May 2000

Akroush, Samer Gh., Life and Medical Manager, Amman Insurance Company; Amman, 14 April 2001

Ala'eddin, Hasan M., Director, Health Care Programme, Al-Amal-Centre; Amman, 25 February 2001

Al-Hadid, Mahmoud, Project Manager, Noor Al-Hussein Foundation; Amman, 28 May 2000

Al-Hamarneh, Dr. Alaa, Researcher, Faculty of Geography, University of Mainz; Mainz, 23 October 2000 and Bonn, 12 - 14 December 2001

Al-Hamarneh, Dr. Moustafa, Director, Jordan Centre for Strategic Research, University of Jordan; Amman, 25 October 2000 and 19 February 2001

Al-Kayed, Zaid, Secretary General, Ministry of Health; Amman, 20 February 2001

Al-Majali, Hashim, Engineer, Office of His Royal Hashemite Excellency Prince Raad; Amman, 23 May 2000

Al-Maumani, Qasim Yaqub, Deputy Director General, The National Aid Fund; Amman, 20 February 2001

Al-Murayyan, Dr. Nader, Human Resources Development Centre; Amman, 18 February 2001

Al-Qatamin, Qais M., Executive Director, Jordan Micro Credit Company; Amman, 14 February 2001 and 10 April 2001

Al Qorom, Majdi Q., Programme Manager, Amman Office, Near East Foundation; Amman, 30 October 2000, 19 February 2001 and 26 February 2001

Al-Rafie, Adel, Ministry of Planning, Pilot Projects Coordinator, Social Productivity Programme Unit; Amman, 15 February 2001

Al-Saleh, Dr. Mustafa, Ministry of Planning, Director, Bilateral Co-operation Department, Social Productivity Programme Unit; Amman, 15 February 2001

Al-Smairat, Dr. T. Fakhri, Vice-President, Civil Health Insurance Programme, Ministry of Health; Amman, 20 February 2001 and 4 April 2001

Al Tamemi, Dr. Arafat, Deputy Secretary General, The General Union of Voluntary Societies; Amman, 24 and 28 February 2001 and 9 April 2001

Amawi, Dr. Abla, Senior Programme Officer, Poverty, Gender and Human Development, United Nations Development Programme; Amman, 25 February 2001

Arabiyat, Dr. Abd-el-Latif, Secretary General, Islamic Action Front; Amman, 10 April 2001

Assaad, Dr. Ragui, Professor, University of Minnesota; Amman, 28 October 2000

Avédikian, Richard, Director, Amman Office, Kreditanstalt für Wiederaufbau; Amman, 20 February 2001

Baban, Hisham, Ph. D., Senior Legal and Technical Advisor, Directorate of Insurance Control, Ministry of Industry and Trade; Amman, 26 February 2001

Bakir, Mohammed Hussain A., Ph. D., Consultant, United Nations Development Programme; Amman, 22 May 2000

Bahous, Sima S., Ph. D., Executive Director, Noor Al-Hussein Foundation; Amman, 19 February 2001

Banks, Dwayne, Ph. D., Chief of Party, Senior Health Economist, Partnerships for Health Reform, Abt Associates; Amman, 26 February 2001

Barham, Dr. Nasim, Professor, Economic Geography, Faculty of Human & Social Research, University of Jordan; Amman, 1 June 2000 and 11 March 2001

Barkawy, Faida, Director, Directorate of Families and Children, Ministry of Social Development; Amman, 25 February 2001

Basbous, Adel, Co-ordinator, Community Infrastructure Programme, Social Security Programme Unit, Ministry of Planning; Amman, 15 February 2001

Bassir, Mousa, Deputy Chief, Health Services Programme, United Nations Relief and Works Agency for Palestine Refugees in the Near East; Amman, 26 February 2001

Bdour, Maisoun, Director, Directorate of Organisations and International Relations, Ministry of Social Development; Amman, 25 February 2001 and 9 April 2001

Bünning, Volker, Economist, Consultant; Amman, 24 February 2001

Bushenaq, Nadia, Family Guidance and Awareness Centre Zarqa; Jordanian Women's Union; Zarqa, 31 October 2000

Cassarino, Jean-Pierre, Scientific Secretary (until 2000), Centre d'Etudes et de Recherches sur le Moyen Orient Contemporain, Amman Branch; Amman, 23 May 2000

Christiansen-Wagner, Toni, Mission Director, United States Agency for International Development; Amman, 24 April 2001

Ciriaci, Dr. Francesca, Staff Reporter, Jordan Times; Amman, 22 May 2000

Dajani, Hiba, National Programme officer, Technical Support Office Amman, Swiss Agency for Development and Co-operation; Amman, 18 February 2001

Deiri, Qasem M., Programme Officer, Amman Office, Near East Foundation; Amman, 31 May 2000

Dieterich, Dr. Renate, Senior Researcher, Institute for Oriental Studies, University of Bonn; Amman, 7 April 2001

Dietrich, Volker, Country Representative for Egypt, Sudan, Yemen and Jordan, Munich Re-Insurance Company, Gizah, 23 September 1999

Dürr, Michael, Agricultural Economist, GFA-Gesellschaft für Agrarprojekte mbH; Amman, 21 May 2000

El-Nasser, Malak, Director General, Jordan River Foundation; Amman, 30 May 2000

El Wheidi, Jamil, Micro-Finance Expert, Sustainable Micro-Finance Initiative, The AMIR Programme; Amman, 21 February 2001

Famea; Cristiana; Third Secretary, Delegation of the European Union in Jordan; Amman, 28 February 2001

Fariz, Dr. Ghaith H., Director, Social Productivity Programme Unit; Amman, 21 February 2001 and 4 April 2001

Frial, Rana, Hayy Nazal Community Centre; Amman, 28 May 2000

Galla, Randolph, Country Representative Jordan, Deutscher Akademischer Austauschdienst (German Academic Exchange Service), Lecturer for German Language and Literature, Jordan University Amman; Amman, 20 May 2000

Gammoh, Sameer, General Manager, National Health Insurance Administrator NatHealth; Amman, 21 February 2001, 25 March 2001, 6 and 26 April 2001

Gammoh, Sami, Chairman, Jordan International Insurance Company; Amman, 15 February 2001

Gärber, Dr. Andrä, Head of the Secretariat, Monitoring Committee Secretariat, Regional Economic Development Working Group; Amman, 20 May 2000

Gerber, Daniel, Consultant for The World Bank; Amman, 21 February 2001

Ghneim, Khalid Ulian, Director General, The National Aid Fund; Amman, 20 February 2001

Giboin, Dr. Catherine, Resident Country Representative, Amman Office, Médecins du Monde; Amman, 22 February 2001

Grohs, Roy J., Programme Officer and Economic Advisor, Amman Office, United States Agency for International Development; Amman, 24 April 2001

Habibah, Hussam H., Assistant Operations Manager, Jordan Micro Credit Company; Amman, 14 February 2001

Hadid, Marzouq, Director General, Development and Employment Fund; Amman, 18 February 2001

Hadir, Amani, Social Security Corporation; Amman, 24 May 2000

Halaseh, Hajem, Country Director, Amman Office, Near East Foundation; Amman, 29 May 2000, 30 October 2000 and 26 February 2001

Hamarsheh, Isam, Director General's Office, Public Relation, Housing and Urban Development Corporation; Amman, 1 April 2001

Hamdan, Mohammad S., Senior Financial Researcher, Civil and Military Pension Commission, Ministry of Finance; Amman, 26 February 2001

Hamzeh, Omar, Director, Directorate for Monitoring and Social Protection, Ministry of Social Development; Amman, 25 February 2001

Hassan, Arwa, Press and Public Relations Officer, Transparency International; Amman, 25 May 2000

Hermann, Katja, Researcher, Centre for Modern Oriental Studies Berlin; Amman, 11 April 2001

Hindawi, Dr. Bassel, Director General, Insurance Regulatory Commission, Ministry of Industry and Trade; Amman, 26 February 2001

Holtkemper, Siegfried, Consultant; Berlin, 8 August 2000

Hourani, Dr. Hany, Director, Al Urdun al-Jadid Research Centre; Amman, 24 May 2000

Ibrahim, Orabi Mohid, Assistant Director, Directorate for Social Development and NGOs, Ministry of Social Development; Amman, 25 February 2001

Idris, Muna M., Assistant Project Officer, Monitoring and Evaluation, Jordan Country Office, UNICEF; Amman, 24 May 2000 and 20 February 2001

Jabba, Rafael, Country Director, Jordan Office, Credit Housing Foundation; Amman, 21 February 2001

Jaber, Dr. Hana', Scientific Secretary, Centre d'Etudes et de Recherches sur le Moyen Orient Contemporain; Amman, 19 April 2001

Jomred, Dr. Atheel, Professor, Faculty of Economy, University of Jordan; Jordan Centre for Strategic Research; Amman, 25 October 2000 and 19 February 2001

Jordan, Tania E., Programme Assistant, Poverty, Gender and Human Development Team, United Nations Development Programme, Jordan Country Office; Amman, 30 May 2000

Kaiser, Martin, Consultant, Head of Mission, German Mission for the Evaluation of the German-Jordanian Development Co-operation; Amman, 29 March 2001-03-29

Kalaldeh, Nawaf, Director, Planning and Research Department, Social Security Corporation of Jordan; Amman, 25 October 2000; 14, 17 and 28 February 2001 and 8 April 2001 and Bonn, 15 December 2000

Kandah, Yousef M., Assistant General Manager, Ahli Microfinancing Co.; Amman, 20 February 2001

Karus, Linda, Life Insurance Department, Jordan International Insurance Company; Amman, 15 and 19 February 2001

Katterman, Dr. Dieter, Team Leader, Jordanian-German Project 'Promotion of a National Information System, Deutsche Gesellschaft für Technische Zusammenarbeit; Amman, 24 February 2001

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Nawawi, Mahmoud Salem, Project Director, Community Based Social Rehabilitation Programme; Amman, 23 May 2000 and 25 October 2000

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Schneller, Dr. Martin, Ambassador of the Federal Republic of Germany to the Hashemite Kingdom of Jordan; Amman, 13 and 28 March 2001

Shadid, Dr. Maha, Assistant Project Officer, Jordan Country Office, UNICEF; Amman, 20 February 2001

Shahin, Mitri, Noor Al-Hussein Foundation; Amman, 19 February 2001

Shakhatreh, Dr. Hussein, Director General, Jordan Department of Statistics; Amman, 29 May 2000 and 15 February 2001

Shami, Ramzi S., Jordan International Insurance Company, Deputy Director General; Amman, 15 February 2001

Shamrukh, Nadia, Jordanian Women's Union; Amman, 29 October 2000, 20 February 2001 and 9 April 2001

Sharaf, Niveen Abbousji, General Manager, Micro Fund for Women; Amman, 22 February 2001

Shawa, Fouad, Chief of Field, Relieff and Social Services, United Nations Relief and Works Agency for Palestine Refugees in the Near East; Amman, 22 February 2001

Shteiwi, Dr. Musa, Director, Jordan Centre for Social Research; Amman, 24 May 2000 and 25 October 2000

Solbakken, Hilde, Second Secretary, Norwegian Embassy Amman; Amman, 18 May 2000

Subeihi, Dawoud, The Jordan Engineer's Association, Health Insurance Programme; Amman, 15 March 2001

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Ule, Dr. Wolfgang, Director, Goethe-Institute Amman; Amman, 31 May 2000

Umari, Umar Ibrahim, President of the Civil and Military Pension Commission, Ministry of Finance; Amman, 26 February 2001

Vogt, Dr. Ulrich, Representative in Jordan and Lebanon, Friedrich-Naumann-Foundation; Amman, 24 May 2000 and 18 February 2001

von Schröder, Hans, Second Secretary, Embassy of the Federal Republic of Germany to the Hashemite Kingdom of Jordan; Amman, 16 May 2000

Wade, Stephen P., Programme Director, The AMIR Programme, United States Agency for International Development; Amman, 21 February 2001

Whitaker, James, Component Leader, Sustainable Micro-Finance Initiative, The AMIR Programme, United States Agency for International Development; Amman, 31 October 2000, 21 February 2001 and 18 April 2001

Wils, Oliver, Researcher, Institute of Political Science, Free University of Berlin; Amman, 11 April 2001

Yousef, Ahmed, Secretary General, Islamic Action Front; Amman, 10 April 2001

Zurub, Waleed Wael, General Manager, Jordan French Insurance Co. Ltd.; Amman, 21 February 2001 and 25 and 28 March 2001

List of Interlocutors by Institution

NOTE: All interlocutors are listed with the position held on the day of the last official meeting with the GDI team as given below.

Government of the Hashemite Kingdom of Jordan

Ministry of Finance:

– Dr. Mohammad S. Abu-Hammour, Secretary General; Amman, 22 April 2001

– Lutfi Abu-Hazeem, Under-Secretary for Gouvernorate Affairs; Amman, 22 April 2001

Civil and Military Pension Commission:

– Umar Ibrahim Umari, President of the Commission; Amman, 26 February 2001

– Mohammad S. Hamdan, Senior Financial Researcher; Amman, 26 February 2001

Ministry of Planning:

– Salah, Jamal, Ph. D., Secretary General; Amman, 16 May 2000

– Dr. Mustafa Al-Saleh, Director, Bilateral Co-operation Department; Amman, 15 February 2001

– Dr. Dieter Katterman, Team Leader, Jordanian-German Project 'Promotion of a National Information System'; Deutsche Gesellschaft für Technische Zusammenarbeit; Amman, 24 February 2001

Social Productivity Programme Unit:

– Dr. Ghaith H. Fariz, Director; Amman, 21 February 2001 and 4 April 2001

– Fayiz Suyyagh, Ph. D., Management Consultant Director, Project for Restructuring National Aid; Amman, 20 February 2001

– Adel Al-Rafie, Pilot Projects Co-ordinator; Amman, 15 February 2001

– Adel Basbous, Co-ordinator, Community Infrastructure Programme; Amman, 15 February 2001

Ministry of Industry and Trade:

– Dr. Bassel Hindawi, Director General; Amman, 26 February 2001

– Hisham Baban, Ph. D., Senior Legal and Technical Advisor; Amman, 26 February 2001

Ministry of Health:

– Zaid Al-Kayed, Secretary General; Amman, 20 February 2001

Civil Health Insurance Programme:

– Al-Smairat, Dr. T. Fakhri, Vice-President; Amman, 20 February 2001 and 4 April 2001

Ministry of Social Development:

– Faida Barkawy, Director, Directorate of Families and Children; Amman, 25 February 2001

– Maisoun Bdour, Director, Directorate of Organisations and International Relations; Amman, 25 February 2001 and 9 April 2001

– Omar Hamzeh, Director, Directorate for Monitoring and Social Protection; Amman, 25 February 2001

– Orabi Mohid Ibrahim, Assistant Director, Directorate for Social Development and NGOs; Amman, 25 February 2001

– Silvia Salem, Assistant Director; Amman, 25 February 2001

Ministry of Awqāf/ The Zakat Fund:

– Abdel-Fattah Salah, Secretary General; Director General of the Zakat Fund; Amman, 25 February 2001

– Dr. Hamdi Murad, former Secretary General; former Director General of the Zakat Fund; Professor for Islamic Law, Umar-al-Mukhtar-Schools; Amman, 17 April 2001

Jordanian Public Institutions

The AMIR Programme:

– Stephen P. Wade, Programme Director; United States Agency for International Development; Amman, 21 February 2001

– James Whitaker, Component Leader, Sustainable Micro-Finance Initiative; United States Agency for International Development; Amman, 31 October 2000, 21 February 2001 and 18 April 2001

– Terri Kristalsky, Deputy Component Leader, Sustainable Micro-Finance Initiative; United States Agency for International Development; Amman, 31 October 2000

– Tanna S. Price, Marketing Specialist, Sustainable Micro-Finance Initiative; United States Agency for International Development; Amman, 21 February 2001

– Jamil El Wheidi, Micro-Finance Expert, Sustainable Micro-Finance Initiative; Amman, 21 February 2001

Department of Statistics:

– Dr. Hussein Shakhatreh, Director General; Amman, 29 May 2000 and 15 February 2001

The Development and Employment Fund:

– Marzouq Hadid, Director General; Amman, 18 February 2001

Housing and Urban Development Corporation:

– Khaldun Qur[c]an, Director; Amman, 14 March 2001

– Dr. Hidaya Khairi, Public Society for Urban Housing and Works; Amman, 22 February 2001, 21 March 2001 and 18 April 2001

- Ghassan Abu Nasir, Micro-Credit Programme; Amman, 27 February 2001 and 29 March 2001
- Isam Hamarsheh, Director General's Office, Public Relation; Amman, 1 April 2001

Human Resources Development Centre:

- Dr. Nader Al-Murayyan; Amman, 18 February 2001

The Jordan Engineer's Association:

- Mohammed Nufil, Pension Insurance Programme; Amman, 19 March 2001
- Dawoud Subeihi, Health Insurance Programme; Amman, 15 March 2001

The National Aid Fund:

- Khalid Ulian Ghneim, Director General; Amman, 20 February 2001
- Qasim Yaqub Al-Maumani, Deputy Director General; Amman, 20 February 2001
- Fayiz Suyyagh, Ph. D., Management Consultant Director; Project for Restructuring National Aid, Social Productivity Programme Unit; Amman, 20 February 2001

Social Security Corporation:

- Ahmad Abdel-Fattah, General Director (since 2000); Amman, 17 February 2001
- Dr. Yaser M. Adwan, General Director (until 2000); Amman, 21 May 2000
- Nawaf Kalaldeh, Director, Planning and Research Department; Amman, 25 October 2000; 14, 17 and 28 February 2001 and 8 April 2001 and Bonn, 15 December 2000

Jordanian Non-Governmental Organisations and Foundations

Community Based Social Rehabilitation Programme:

- Hashim Al-Majali, Engineer, Office of His Royal Hashemite Excellency Prince Raad; Amman, 23 May 2000
- Mahmoud Salem Nawawi, Project Director; Amman, 23 May 2000 and 25 October 2000

Community Centre Hayy Nazal:

- Rana Frial; Amman, 28 May 2000
- Dr. Sari Nasser; Professor, Faculty of Sociology, University of Jordan; Amman, 28 May 2000 and 25 February 2001

Family Guidance and Awareness Centre Zarqa

- Nadia Bushenaq; Zarqa, 31 October 2000

The General Union of Voluntary Societies:

- Dr. Arafat Al Tamemi, Deputy Secretary General; Amman, 24 and 28 February 2001 and 9 April 2001

Al-Amal-Centre:

- Badi'a Murad, Director, International Relations and Information; Amman, 25 February 2001
- Hasan M. Ala'eddin, Director, Health Care Programme; Amman, 25 February 2001

Global Development Forum:

- Nevaf Aghabi; Amman, 21 May 2000

Islamic Action Front:

- Dr. Abd-el-Latif Arabiyat, Director General; Amman, 10 April 2001
- Ahmed Yousef, Secretary General; Amman, 10 April 2001

The Jordan Hashemite Fund for Human Development:

- Shadia Nusseir, Executive Director; Amman, 19 April 2001
- Munif M. Abu Rish, Director, Social Development Department; Amman, 18 February 2001

Jordan River Foundation:

- Maha Khatib, Director General; Amman, 26 February 2001
- Malak El-Nasser, Director General (until 2000); Amman, 30 May 2000

The Jordanian National Committee for Women:

- Amal Sabbagh, President; Amman, 25 February 2001

Jordanian Women's Union:

- Nadia Shamrukh; Amman, 29 October 2000, 20 February 2001 and 9 April 2001

The Noor Al-Hussein Foundation:

- Sima S. Bahous, Ph. D., Executive Director; Amman, 19 February 2001
- Mahmoud Al-Hadid, Project Manager; Amman, 28 May 2000
- Mitri Shahin; Amman, 19 February 2001

Voluntary Society of the Islamic Centre Jabal An-Nadheef:

- Ayyoub Khamis, Director General; Amman, 10 April 2001

International Non-Governmental Organisations

CARE International:

- Johan Ramon, Country Representative, Jordan Office; Amman, 19 February 2001

Credit Housing Foundation:

- Rafael Jabba, Country Director, Jordan Office; Amman, 21 February 2001

Médecins du Monde:

– Dr. Catherine Giboin, Resident Country Representative, Amman Office,; Amman, 22 February 2001

Near East Foundation:

– Hajem Halaseh, Country Director, Amman Office, Near East Foundation; Amman, 29 May 2000, 30 October 2000 and 26 February 2001

– Qasem M. Deiri, Programme Officer, Amman Office; Amman, 31 May 2000

– Majdi Q. Al Qorom, Programme Manager, Amman Office; Amman, 30 October 2000, 19 February 2001 and 26 February 2001

Transparency International:

– Arwa Hassan, Press and Public Relations Officer; Amman, 25 May 2000

International and Non-German Bi-lateral Development Co-operation

United Nations Children's Fund (UNICEF):

– Muna M. Idris, Assistant Project Officer, Monitoring and Evaluation, Jordan Country Office; Amman, 24 May 2000 and 20 February 2001

– Dr. Maha Shadid, Assistant Project Officer, Jordan Country Office; Amman, 20 February 2001

United Nations Development Programme (UNDP):

– Dr. Abla Amawi, Senior Programme Officer, Human Development, Poverty and Gender Division, Jordan Country Office; Amman, 25 February 2001

– Lattouf, Hala, Senior Programme Officer, Human Development, Poverty and Gender Division, Jordan Country Office; Amman, 30 May 2000

– Tania E. Jordan, Programme Assistant, Poverty, Human Development, Poverty and Gender Division, Jordan Country Office; Amman, 30 May 2000

– Mohammed Hussain A. Bakir, Ph. D., Consultant; Amman, 22 May 2000

United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA):

– Thomas W. Kramer, Field Administration Officer, Jordan Field Office; Amman, 29 May 2000

– Fouad Shawa, Chief of Field, Relieff and Social Services Programme; Amman, 22 February 2001

– Maha Rantisi Abdulhamid, Deputy Chief of Field, Relieff and Social Services Programme; Amman, 22 February 2001

– Mousa Bassir, Deputy Chief of Field, Health Services Programme; Amman, 26 February 2001

The World Bank:

– Daniel Gerber, Consultant; Amman, 21 February 2001

European Commission (EC):

– Cristiana Famea, Third Secretary, Delegation of the European Union in Jordan; Amman, 28 February 2001

– Nadia Mahmud, Macroeconomic and Trade Expert, Meda Team Jordan, Technical Assistance to the European Commission in Jordan, Delegation of the European Union in Jordan; Amman, 26 April 2001

Regional Economic Development Working Group (REDWG), Monitoring Committee Secretariat:

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Norwegian Embassy Amman:

– Hilde Solbakken, Second Secretary; Amman, 18 May 2000

Swiss Agency for Development and Co-operation (SDC):

– Hiba Dajani, National Programme Officer, Technical Support Office; Amman, 18 February 2001

UK Department for International Development (DFID):

– Rana Saifi, Development Officer, British Embassy Amman; Amman, 29 May 2000

United States Agency for International Development (USAID):

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– Roy J. Grohs, Programme Officer and Economic Advisor, Amman Office; Amman, 24 April 2001

– Stephen P. Wade, Programme Director; Amman, 21 February 2001

– James Whitaker, Component Leader; Amman, 31 October 2000, 21 February 2001 and 18 April 2001

– Terri Kristalsky, Deputy Component Leader; Amman, 31 October 2000

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German Development Co-operation

German Ministry of Foreign Affairs:

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German Ministry for Economic Co-operation and Development:

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Embassy of the Federal Republic of Germany to the Hashemite Kingdom of Jordan:

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– Martina Kramer; Amman, 16 May 2000 and 28 March 2001

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Goethe-Institute Amman:

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German Academic Exchange Service (Deutscher Akademischer Austauschdienst):

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Friedrich-Ebert-Foundation:

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Friedrich-Naumann-Foundation:

– Dr. Ulrich Vogt, Representative in Jordan and Lebanon; Amman, 24 May 2000 and 18 February 2001

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– Michael Dürr, Agricultural Economist, GFA-Gesellschaft für Agrarprojekte mbH; Amman, 21 May 2000
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Private Sector Companies and Institutions

Ahli Microfinancing Co.:

– Ghassan E. Abuyaghi, General Manager; Amman, 20 February 2001
– Yousef M. Kandah, Assistant General Manager; Amman, 20 February 2001

Amman Insurance Co.:

– Samer Gh. Akroush, Life and Medical Manager; Amman, 14 April 2001

Islamic International Arab Bank:

– Mahdi M. Z. Kilani, Senior Finance and Investment Officer; Amman, 19 May 2000

Jordan French Insurance Co. (JOFICO):

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Jordan International Insurance Co. (JII):

– Sami Gammoh, Chairman; Amman, 15 February 2001
– Ramzi S. Shami, Deputy Director General; Amman, 15 February 2001
– Linda Karus, Life Insurance Department; Amman, 15 and 19 February 2001

Jordan Investment Trust P.L.C.:

– Dr. M. Said Nabulsi, Chairman and CEO; Amman, 1 June 2000

Jordan Micro Credit Co. (JMCC):

– Qais M. Al-Qatamin, Executive Director; Amman, 14 February 2001 and 10 April 2001
– Hussam H. Habibah, Assistant Operations Manager; Amman, 14 February 2001

Micro Fund for Women:

– Niveen Abbousji Sharaf, General Manager; Amman, 22 February 2001

Middle East Insurance Co.:

– Rajai K. Sweis, General Manager; Amman, 21 February 2001

Munich Re-Insurance Co.:

– Dietrich, Volker, Country Representative for Egypt, Sudan, Yemen and Jordan, Gizah, 23 September 1999

The National Ahlia Insurance Co.:

– Dr. Khaled M. Abu-Goura, Ph. D., Deputy General Manager; Amman, 21 February 2001 and 25 March 2001

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– Sameer Gammoh, General Manager; Amman, 21 February 2001, 25 March 2001, 6 April 2001 and 26 April 2001
– Saed Kawar, Marketing Manager; Amman, 25 March 2001

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- Dr. Hany Hourani, Director; Amman, 24 May 2000

Al Kutba Institute for Human Development

- Dr. Josi Salem Pickartz, Clinical Psychologist; Amman, 23 May 2000

Arab Archives Institute:

- Basem Sakijha; Amman, 30 May 2000
- Sa'eda Kilani; Amman, 30 May 2000

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- Dr. Hanaa Kheir el-Din, Professor; Amman, 28 October 2000

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- Dr. Hana' Jaber, Scientific Secretary; Amman, 19 April 2001
- Jean-Pierre Cassarino, Scientific Secretary (until 2000),; Amman, 23 May 2000

Centre for Modern Oriental Studies Berlin

- Katja Hermann; Amman, 11 April 2001

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- Åge A. Tiltnes; Amman, 21 February 2001

Free University of Berlin

- Oliver Wils, Institute of Political Science; Amman, 11 April 2001

The Jordan Times

- Dr. Francesca Ciriaci, Staff Reporter; Amman, 22 May 2000

Partnerships for Health Reform, Abt Associates

- Dwayne Banks, Ph. D., Senior Health Economist; Amman, 26 February 2001

Umar-al-Mukhtar-Schools

- Dr. Hamdi Murad, Professor, Islamic Law; former Director General of the Zakat-Fund; Amman, 17 April 2001

University of Jordan

- Dr. Moustafa Al-Hamarneh, Professor, Director, Jordan Centre for Strategic Research; Amman, 25 October 2000 and 19 February 2001
- Dr. Atheel Jomred, Professor, Faculty of Economy; Jordan Centre for Strategic Research; Amman, 25 October 2000 and 19 February 2001
- Dr. Nasim Barham, Professor, Economic Geography, Faculty of Human & Social Research; Amman, 1 June 2000 and 11 March 2001
- Dr. Sari Nasser, Professor, Faculty of Sociology; Hayy Nazal Community Centre; Amman, 28 May 2000 and 25 February 2001
- Dr. Musa Shteiwi, Professor, Faculty of Sociology: Director, Jordan Centre for Social Research; Amman, 24 May 2000 and 25 October 2000

University of Bonn

- Dr. Renate Dieterich, Senior Researcher, Institute for Oriental Studies,; Amman, 7 April 2001

University of Mainz

- Dr. Alaa Al-Hamarneh, Assistant Professor, Faculty of Geography; Mainz, 23 October 2000 and Bonn, 12 - 14 December 2001

University of Minnesota

- Dr. Ragui Assaad, Professor, Faculty of Economy; Amman, 28 October 2000

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- Oliver Schlumberger, Assistant Professor, Institute of Political Science; Amman, 27 October 2000

University of Yarmouk

- Dr. Yaser M. Adwan, Professor, Faculty of Economy; until 2000 Director General of the Social Security Corporation; Amman, 21 May 2000

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- Dr. Hidaya Khairi, Public Society for Urban Housing and Works; Amman, 22 February 2001, 21 March 2001 and 18 April 2001
- Michael J. McCord, MicroSave Africa; Amman, 28 March 2001

Annexes

Annex A

The GDI Household Survey: Methodology and Statistical Analysis

The results of the present study are largely based on the findings of a field survey conducted by a team from the *German Development Institute* (GDI) in five weeks in the months of March and April 2001 in selected quarters of East Amman. The survey covered 139 households and aimed at (i) assessing the needs of the urban poor and near-poor for additional social protection and (ii) measuring their potential demand for micro-insurance.

Annex A is intended to present

— the immediate results of the GDI household survey in more detail than in the main text of the study,

— the methodology used for the empirical research and

— the manner in which raw data were processed and households were categorised.

Sample Choice

The initial decision to focus the empirical research on East Amman was taken for two reasons: First, the majority of the Jordanian urban poor live in Amman.[237] Second, East Amman's quarters differ markedly from one another with respect to their economic and social characteristics: The population of Amman is composed by migrants from all parts of Jordan (and Palestine), who often settle in specific quarters, grouped by their towns of origin. This makes it easy to mix households of different origins and with different habits within a survey sample composed of households from different quarters of Amman only.

237 Khayri / Nasir (1995) estimate that 66 % of the Jordanian poor are living in Amman, cf. Khairy / Nasir (1995), p. 8.

After several experts[238] were consulted, the quarters were selected according to four criteria:

— The research was to cover a wide range of quarters with respect to the economic and social situation of their inhabitants.

— The research was to encompass a variety of quarters extending between city centre and outskirts.

— The research was to include at least one Palestinian refugee camp.

— The research was to have a certain geographical spread (North, South, East and the centre of Amman).

Based on these criteria, nine quarters were selected (see Figure A1). Within each quarter, the GDI team carried out interviews with members of different households. The main criteria for selecting households to be interviewed in the quarters were the greatest possible variety of households interviewed with respect to economic well-being, employment status of the main provider, location of the household within the quarter (centre, edge), reputation among other households and geographic origin of the family.

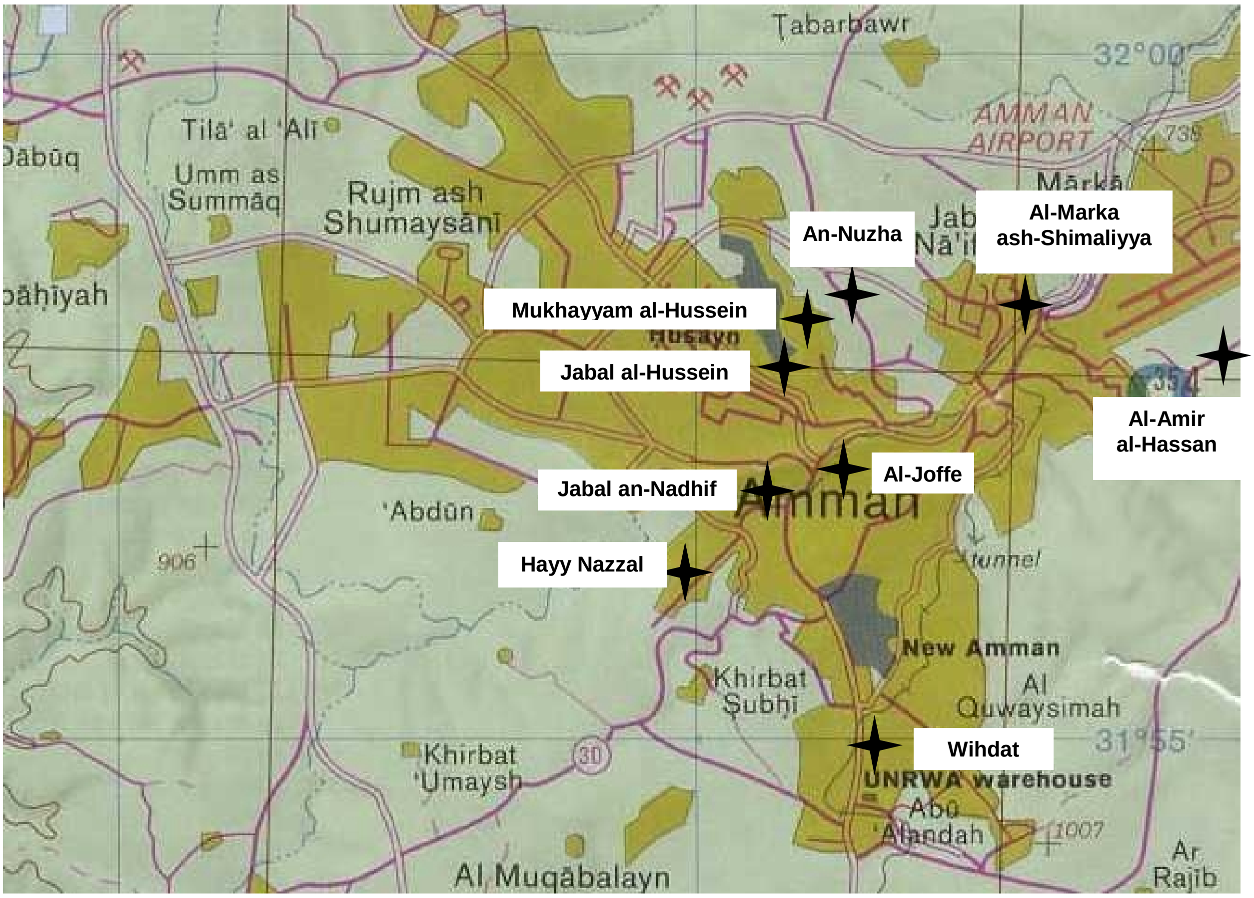
To select households matching these criteria, the GDI team co-operated with local NGOs well rooted in the social structure of the quarters. All NGOs had

238 Dr. Alaa Al-Hamarneh, *University of Mainz*, 13 December 2001; Dr. Moustafa Al-Hamarneh, *Center for Strategic Research*, *University of Jordan*, 19 February 2001; Dr. Hidaya Khairi, *Public Society for Urban Housing and Works*, 22 February 2001; Mr. Hajem Halaseh and Mr. Majdi Al-Qorom, *Near East Foundation*, 19 February 2001; Dr. Arafat Al Tamemi, *The General Union of Voluntary Societies*, 24 February 2001; Mr. Awni Quandour, *Noor al-Hussein Foundation*, 25 February 2001; Dr. Nasim Barham, *University of Jordan*, 1 June 2000; Dr. Ghaith Fariz, *Social Productivity Programme Unit*, 21 February 2001; Mr. Randolph Galla, *German Academic Exchange Service*, 20 May 2000;. Mr Nawaf Kalaldeh, *Social Security Corporation*, 28 February 2001; Mrs. Terri Kristalsky, *The AMIR Programme*, 31 October 2000; Dr. Sari Nasser, *University of Jordan*, 25 February 2001; Mr. Mahmoud Salem Nawawi, *Community Based Social Rehabilitation Programme*, 25 October 2000; Dr. Josi Salem Pickartz, *Al-Kutba Institute for Human Development*, 23 May 2000; Dr. Hussein Shakhatreh, *Jordan Department of Statistics*, 15 February 2001; Dr. Musa Shteiwi, *Jordan Centre for Social Research*, 25 October 2000.

Table A1: Location of Interviews

Quarters	number of interviews	location of interview		
		house	shop	centre
Al-Amir al-Hassan	21	21	0	0
Al-Joffe	24	24	0	0
Al-Marka	4	3	1	0
An-Nuzha	20	14	6	0
Hayy Nazzal	24	5	0	19
Jabal al-Hussein	5	0	4	1
Jabal an-Nadhif	13	10	3	0
Mukhayyam al-Hussein	15	15	0	0
Wihdat	13	4	9	0
Sum	**139**	**96**	**23**	**20**
In %	***100***	***69***	***17***	***14***

Figure A1: Location of Quarters Covered in Amman



previous experience with qualitative and quantitative research and enjoy a good reputation among international and Jordanian NGOs as well as among academic social research experts. Most of the contacts to the local grass-roots NGOs were established with the assistance of the *Near East Foundation*, which has by far the longest experience in qualitative household research in Jordan.

The local NGOs supported the GDI team's research in composing a sample of households to be interviewed in accordance with the above-mentioned criteria, informing these households on the GDI team's proposed visit and introducing the GDI team to the households. Moreover, these NGOs substantially contributed to the GDI team's research by providing the necessary framework information on the quarters and the interviewed households and their background as well as by commenting on and analysing the information given by the households.

Depending on the local organisation, the interviews were carried out inside the house or in a shop or community centre. Table A1 lists the number of households interviewed within each quarter with reference to the locations at which the interviews were conducted.

From each household, one member was interviewed by one or two members of the GDI research team, an interpreter and a social worker from the local NGO. Table A2 shows that the interviews were carried out with household members with different positions within their household: males and females, household heads, their wives and their adult children; old and young; Jordanians and Palestinians.

Methodology

The household interviews were based on a semi-structured questionnaire, though they were also open to additional questions. The questions were not always posed in the same order, and much time was left for households to give additional and unexpected information, explanations and examples from their lives. The questionnaire (see end of Annex A) focused on six major issues:

- current household economic and social situation as determined by means test (questions 1 and 12), self-categorisation / subjective poverty (question 3), monthly household spending (questions 9 - 11) and monthly household income and fluctuations in income (question 8);
- risks that have occurred in the past and the coping strategies chosen by the household to manage these risks (questions 3 - 4);
- current household state of social protection, vulnerability to risks and satisfaction with existing social protection instruments available to them (questions 5 - 7, 18 - 23 and 25 - 26);
- the ability and willingness of the urban poor and near-poor to participate in micro-insurance (questions 8 - 12 and 24a) and
- their wishes for improvements in their own social protection and preferences with respect to the design of possible micro-insurance schemes (questions 13 - 17, 24 and 24b - 24d).

During the interviews, notes were taken to record the answers given by the interviewed. The research team sought to note down the replies in the most comprehensive possible form as well as to ensure that they were reporting in the form of 'life stories'. This was done to avoid any loss of information.

Only in a second step was the information gathered clustered in relevant dimensions and categorised. These data were processed in two different ways: The first followed a purely quantitative methodology, the second was a more qualitative approach.

In the following, some statistical findings are presented. They are the result of the quantitative processing of the data gathered. First, it will be explained how 'poor' and 'near-poor households' were defined and identified. Second, some results for each of the five issues listed above are discussed.

It should be stressed that due to the small number of interviews and the way households were selected from within the quarters, the results cannot be considered representative.

Table A2: Gender, Age, Relationship to Household Head and Nationality of the Persons Interviewed

	absolute number	in % of interviews
Gender of person interviewed		
Male	44	32
Female	95	68
Age of person interviewed		
< 20	3	2
20 - 29	14	11
30 - 39	34	26
40 - 49	27	21
50 - 59	25	19
> 59	28	21
N/A	8	-
Relationship of person interviewed to household head		
Husband / wife	59	42
Identical	55	40
Son / daughter	16	12
Father / mother	6	4
Brother / sister	3	2
Nationality of person interviewed		
Jordanian	17	14
Palestinian	101	83
Other Arab	3	2
Other	1	1
N/A	17	-

Identification of the Urban Poor and Near-Poor

The focus group of this study is the urban poor and near-poor. For the purpose of this study, 'the poor' are defined as all individuals living below the absolute poverty line, and all individuals that are not poor but face a high risk of becoming poor as a consequence of the occurrence of risks are defined as 'near-poor'.

To make use of the household data gathered for this study, first of all, poor and non-poor households from the sample had to be identified and isolated from the rest of the households. A multidimensional approach was chosen for this task, because information on economic situation and, especially, on income was not considered as sufficiently reliable. The questionnaire therefore not only contained questions on the income of the households, it also included questions aimed at cross-checking the plausibility of the answers on this topic: questions about income sources, subjective estimates of a household's economic situation and expenditures. Furthermore, a means test was conducted.

Households were classified as 'poor' or 'non-poor' households in accordance with three criteria: their

Table A3: Poor and Non-poor Households			
	absolute number	**in % of valid data**	**in % of interviews**
Poor	14	11	10
Probably poor	31	25	22
Non-poor	77	63	55
Not classified	17	-	12
Total	**139**	**100**	**100**

income, their expenditure and a means test. For income and expenditures, we used a poverty line of JD 313,5 per year and per capita. This poverty line is taken from IBRD (1999) and is an updated version of the official poverty line developed by Al-Saquor for the year 1987. The means test focused on the furnishings of the households (refrigerator, colour TV set and furniture in the living room). This was intended to ensure the reliability of the data on income and expenditures.

— Households were classified as '*poor*' if their annual income per capita and annual expenditures per capita were below the poverty line and if the household lacked at least one basic durable consumer good.

— Households were classified as '*probably poor*' if they met the above-stated income and expenditure criterion but did not lack the durable consumer goods.

— Households with an annual income or annual expenditures above the national poverty line were classified as '*non-poor*'.

— All households for which information on income or expenditures was not available were *not classified*.

Table A3 gives an overview of the number of households within the sample that were classified as 'poor' and 'non-poor' on the basis of these criteria:

Once poor and non-poor households had been distinguished, vulnerable and non-vulnerable non-poor households had to be identified. Vulnerability is usually referred to as the disability of households to deal with risks:

> *"Vulnerability may be considered in terms of the resources and range of coping mechanisms available to an individual or household to protect against a shock or economic stress event ahead of time or to deal with it after it occurs."*[239]

There is no widely accepted way to operationalise vulnerability, and it is beyond the scope of the present study to develop a generally acceptable measure of vulnerability. Hence a pragmatic approach was chosen that is based on the consideration that the means used to cope with the negative effects of risks are the assets and entitlements that households can mobilise or manage in the face of hardship[240]:

— The assessment of vulnerability to risks focused on the most important risks only: health risks, life-cycle risks (old-age, death of the main provider, work disability) and economic risks (employment and income insecurity).

— Vulnerability was defined by criteria of exclusion: Households were classified as 'non-vulnerable' when they were found to have sufficient protection from the three above-mentioned groups of risks. All other households were classified as 'vulnerable.' To measure households' degree of protection, three factors were taken into account: (i) their coverage by reliable formal social protection schemes (e.g. private and social insurance), (ii) the diversification of their income and (iii) their endowment with real estate property which can be sold to cope with serious risks. Informal me-

239 Sebstad / Cohen (2000), p. 33. Cf. also idem, pp. 4, 9 and 11.

240 Cf. Sebstad / Cohen (2000), p. 11.

Table A4: Criteria for Measuring Vulnerability

	comprehensive protection	good protection	some protection	no protection
Health risks	entire household covered by CHIP, RMS, *green-card*, private health insurance or insurance provided by an employer	some members covered by one of the insurance schemes *or* entire family eligible for UNRWA health services	all other households	because of the highly subsidised health sector, no household was categorised as 'not protected'
Life-cycle risks	household head (main provider) covered by SSC, CIP, MPP or Professional Ass.	not covered by any pension scheme, but own real estate that they do not use themselves for living	not covered by any pension scheme, but own the house and the land they use themselves	not covered by any pension scheme and do not own real estate
Employment and income insecurity	household head (main provider) a public employee *or* household head a pensioner	household head (main provider) is formally employed (has a written work contract) and income is diversified (at least three different sources of income)	household head (main provider) is formally employed, but income is not diversified *or* household head has no formal employment, but diversified income	household head (main provider) has no formal employment and income is not diversified

chanisms were not considered, because the degree to which households are protected through these mechanisms proved to be too difficult to measure and because informal mechanisms are insufficiently reliable.

— For each group of risks, four degrees of protection were developed: (i) comprehensive protection, (ii) good protection, (iii) insufficient protection and (iv) non-protection. Table A4 gives an overview of the criteria used to classify households by these categories.

— The households were classified in two steps: In a first step, each household was categorised for each group of risks. In a second step, the overall degree of risk was defined. A decision was therefore a taken to group households into the lowest of all attained categories as regards their protection from each of the three groups of risks.[241]

— For the purpose of this study, all households enjoying either overall comprehensive or overall good protection were considered 'non-vulnerable'.

The definition of vulnerability categories and their aggregation to form an overall vulnerability index is not the most exact and comprehensive methodology. It does not claim to be the best or even the unique solution for this objective. However, within the framework of this study the rather simple and pragmatic approach was considered to be satisfactory.

241 This measure tends to overestimate the vulnerability, since a better protection in other risk classes is not considered. However, in almost all cases, households were categorised in two neighbouring classes; therefore, distortions are limited.

Table A5: Vulnerable and Non-vulnerable Households					
	comprehensive protection	**good protection**	**some protection**	**no protection**	**N/A**
Health risks					
Absolute number	29	58	50	-	2
In % of valid interviews	*21*	*42*	*36*	-	-
Old age, work disability, death of main provider					
Absolute number	55	9	19	47	9
In % of valid interviews	*42*	*7*	*15*	*36*	-
Employment and income insecurity					
Absolute number	33	6	28	66	6
In % of valid interviews	*25*	*5*	*21*	*50*	-
Vulnerability index					
Absolute number	11	18	26	69	15
In % of valid interviews	*9*	*15*	*21*	*56*	-

Table A6: Poor and Near-Poor Households		
	absolute number	**in %**
Non-vulnerable	28	22
Vulnerable non-poor (near-poor)	55	44
Probably poor	28	22
Poor	14	11
N/A	14	-
Sum	**139**	**100**

Table A5 shows the results of the classification of the sample households according to these criteria. Only 29 of 124 classifiable households (23 %) can be considered to be non-vulnerable. Most of them are headed by public employees and CPP or MPP pensioners. Private sector employees were only included as long as they (i) were covered by the SSC, (ii) had health insurance or were eligible for UNRWA health services and (iii) had diversified income sources. All other groups were classified as 'vulnerable.'

Poverty and vulnerability were found to be highly correlated: Of 29 non-vulnerable households, not one single household is poor. Only six households had been classified a 'probably poor' in a first step.[242]

However, five of these six households had declared an income only slightly above the poverty line and had been found to be comparatively well endowed with assets in the means test. Thus these households

242 'Probably poor households' were assumed to be poor on the basis of their declared income, while the means-test could not confirm this assumption.

Table A7: Number of Household Members			
Number	**GDI household survey**		***DOS (1995)***
	absolute number	**in % of interviews**	***in % of households***
1	1	1	4
2	8	6	8
3	9	7	9
4	9	7	12
5	16	12	13
6	25	18	13
7	17	12	11
8	20	14	8
9	7	5	7
10	9	7	6
> 10	17	12	9
N/A	1	-	-
Average	6,98	-	

were removed from the group of the 'probably poor.' Five households were classified as 'non-vulnerable' in this second step and only the remaining 'special case' was not able to be classified.

Table A6 presents an overview of the composition of the sample according to the above-mentioned categories. Of a total of 125 classified households[243], 28 are non-vulnerable, while 97 are (in one way or another) representative of this study's target group: 42 were classified as 'poor' or 'probably poor' and 55 are near-poor households as defined by this study: not poor but vulnerable to risks.

The Socio-economic Profile of the GDI Sample

The interview's questions concerning the social and economic situation of its households not only served the purpose of categorising households. They also aimed at providing insight into the socio-economic situation of the quarters covered by the survey and providing the research team with some information on the vulnerability of the sample households. (Apart from that, these questions, posed at the beginning of each interview, served for a 'warm-up' between the interviewed and the interviewers.)

Tables A7 to A18 present the results of this assessment. They show that the GDI household survey covered different households with respect to a number of social and economic characteristics.

Moreover, to the extent that data were available, the tables compare the GDI sample's profile with the profiles of other, more representative surveys. They show that, in many respects, the GDI survey mirrors comparatively well the national socio-economic situation, if one takes the small sample size of only 139 households into account.

Table A7 makes evident that the age structure composition of the GDI sample is very much in line with the structure of the Jordanian population as reported by the Jordan Department of Statistics: The average size of the interviewed households was 6.98. The majority of households (56 %) consists of five to eight members. However, a significant share (19 %) have 10 or more family members.

243 21 Households could not be categorised due to missing data.

Table A8: Number of Children, Old-aged, Disabled and Working Household Members

	absolute number	in % of classified interviews
Children under 16 (average: 3.10)		
0	20	16
1	22	17
2	15	12
3	25	19
4	16	12
5	13	9
6	7	5
7	4	3
8	3	2
> 8	4	3
N/A	10	---
Old-aged / aged 60+ (average: 0.51)		
0	95	68
1	26	19
2	18	13
Disabled (average: 0.16)		
0	125	90
1	11	8
2	2	1
> 2	1	1
Working (average: 1.55)		
0	17	13
1	63	48
2	30	23
3	11	8
4	9	7
6	2	2
N/A	7	---

Table A9: Poverty and Dependency Ratio					
	dependency ratio > 0.75	**in % of classified households with a dependency ratio > 0.75**	**dependency ratio < 0.75**	**in % of classified households with a dependency ratio < 0.75**	**N/A**
Poor	10	12	3	8	1
Probably poor	25	32	3	8	3
Non-poor	45	56	31	84	1
Not classified	9	-	5	-	3
Sum	**89**	**100**	**42**	**100**	**8**

Table A10: Poverty and Disabled Household Members				
	disabled household member	**in % of classified households**	**no disabled household members**	**in % of classified households**
Poor	2	14	12	11
Probably poor	7	50	24	22
Non-poor	5	36	72	67
Not classified	0	-	17	-
Sum	**14**	**100**	**125**	**100**

Table A11: Poverty and Old-aged Household Members				
	Old-aged household member (60+)	**In %**	**No old-aged household member**	**In %**
Poor	4	10	10	12
Probably poor	11	28	20	24
Non-poor	25	63	52	63
Not classified	4	-	13	-
Sum	**44**	**100**	**95**	**100**

Large households are also characterised by high dependency ratios (here defined as the ratio of non-working members to all households members). High dependency ratios were, in most cases[244], traced back to a high number of children, while the number of disabled and old-aged family members within the household are of only minor importance (see Table A8). Another factor contributing to the high level of dependency ratios is the low share of working women. In the sample, only 30 of 201 working households members (15 %) were females.

High dependency ratios were found to be correlated with poverty. As Table A9 demonstrates, almost

244 This finding is in accordance with representative data. Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998), p. 54.

Table A12: Gender, Marital Status and Age of Household Heads

	GDI household survey		*CCA report*[a]
	absolute number	**in % of interviews**	***in % of households***
Gender of household head			
Male	116	83	*93*
Female	23	17	*7*
Marital status of household head			
Never married	4	3	*2*
Married	113	81	*92*
Widowed	19	14	*5*
Divorced	0	0	*<1*
Abandoned	3	2	*<1*
Age of household head			
< 20	0	0	*8*
20 - 29	3	3	
30 - 39	24	24	*25*
40 - 49	16	16	*27*
50 - 59	19	19	*23*
> 59	38	38	*18*
N/A	39	-	-

a Source: CCA report: as quoted by Bakir (2001), annex, p. 3 - 4.

Table A13: Poverty and Gender of Household Head

	male-headed households	**in % of classified male-headed house-holds**	**female-headed house-holds**	**in % of classified female-headed households**
Poor	8	8	6	27
Probably poor	25	26	6	27
Non-poor	67	66	10	45
Not classified	16	-	1	-
Sum	**116**	**100**	**23**	**100**

Table A14: Employment Status of Household Heads

	GDI household survey		*CCA report*[a]	*World Bank*[b]
	absolute number	**in % of interviews**	***in % of household heads***	***in % of household heads***
Employed	44	32		
- Work contract	32	80 (of employed)		
- No work contract	8	20 (of employed)	*44*	*59*
- N/A	4	-		
Daily labourer	5	4		
Self-employed	37	27	*14*	*7*
Employer	1	1	*5*	*5*
Retired	26	19	*25*	*11*
Unemployed	6	4	*< 1*	*6*
Not actively looking for employment	20	14	*12*	*12*

a: Source: CCA report: as quoted by Bakir (2001), annex, pp. 4 - 5; own calculations.

b: Source: World Bank report: IBRD (1999), based on data of the DOS from 1997; own calculations.

half of the interviewed households with a dependency ratio of 0.75 or more were classified as 'poor' or 'probably poor,' while only 16 % of the households with a dependency ratio were below 0.75. Representative data confirm the finding that a high dependency ratio is an important poverty factor.[245]

The GDI survey also revealed a correlation between poverty and disability: 64 % of the households that had at least one disabled family member living in the household were classified as 'poor' or 'probably poor,' against 33 % of the households without disabled members (see Table A10).

No significant correlation was found between old age and poverty. As Table A11 shows, households with at least one member aged 60 or more were not more likely to be poor than other households.

The interviewed households differed not only with respect to their composition but also with respect to gender of households heads. Table A12 provides an overview of some basic characteristics of the heads of the interviewed households. It makes evident that the composition of the GDI sample as to household head characteristics is very similar to the composition of the overall Jordanian population as indicated by a UNDP report.[246] Of 139 GDI sample households, 118 (83 %) were headed by males and only 23 households by females, the latter being widows in most cases.

The GDI survey revealed a clear tendency for female-headed households to be poorer than male-headed households: Table A13 shows that 54 % of the interviewed female-headed households were classified 'poor' or 'probably poor,' while this applies for only 34 % of the male-headed households.

The interviewed households differ with respect not only to social but also economic characteristics (Table A14). The sample covered households with their head employed (32 %), self-employed (27 %), unemployed (4 %), not actively looking for an employment (14 %) or even employers The interviewed households differ with (1 %). Interestingly, no significant correlation was found between the employment status and the probability of being poor or probably poor: in the sample, employees were

245 Cf. Hanssen-Bauer / Pedersen / Tiltnes (1998).

246 Cf. Bakir (2001).

Table A15: Number and Nature of Income-Source			
	GDI household survey		***FAFO report*[a]**
	absolute number	**in % of interviews**	***in % of all Jordanian households***
Income sources (average: 2.01)			
1	47	35	
2	56	41	
3	20	15	
4	12	9	
5	1	1	
N/A	3	-	
Kinds of income sources			
Labour income (wage or self-employment income)	112	81	*78*
Pension	23	17	*15*
Family assistance	23	17	*15*
Social assistance	19	14	*5*
Others (e.g. rent)	6	4	*9*

a Source: Hanssen-Bauer / Pedersen / Tiltnes (1998)

almost as likely to be poor or probably poor as the self-employed.

However, the share of informal employment within the GDI sample seems to be somewhat above the national average. This divergence can be traced back to the survey's focusing on low-income urban quarters: The share of employers and formal sector employees is much higher in Amman's high-income western quarters, but also in rural areas.

Most of the interviewed households rely on only one or two different kinds of income (see Table A15): Only 33 households (25 %) had three or more income sources. Income from labour was by far the most important income source: 81 % of the interviewed households received income from labour. Furthermore, the households mentioned pensions (23 %), family assistance (23 %) and social assistance (17 %) as important income sources.

As to income levels, the GDI survey covered households from almost all levels (see Table A16). The lowest income per month reported by the households was JD 50, while the highest was no less than JD 1,500. Most households (51 %) had a monthly income between JD 100 and 300. The average income of about JD 260 was close to official data. Similarly, per-capita income varied from less than JD 10 to more than JD 200 per month, the average being JD 43.19. The majority of households (55 %) reported per-capita income between JD 20 and 50.

However, in 40 % of the households monthly income was not stable but subject to fluctuations. In most cases the fluctuations were due to self-employment or day labour. Furthermore, some households (9 %) reported the amount of family assistance as differing from month to month.

Questions about monthly expenditures were aimed at cross-checking the information about the income situation of the households. As Table A18 shows, the households mentioned higher per capita expenditures than per capita income. However, in general differ-

Table A16: Income, Income per Capita and Fluctuation of Income

Income per household in JD / month (average: 260.32)	**GDI household survey**		***DOS (1995)***
	number	**in % of valid interviews**	***in % of households***
< 50	2	2	*2*
50 - 100	18	17	*5*
100 - 200	27	25	*25*
200 - 300	28	26	*25*
300 - 400	10	9	*25*
400 - 500	10	9	
> 500	12	11	*17*
N/A	32	0	*0*
Income per household member in JD / month (average: 43.19)	**absolute number**	**in % of valid interviews**	
< 25	38	36	
25 - 50	41	38	
50 - 100	16	15	
>100	12	11	
N/A	32	-	
Fluctuation of monthly income and decisive factor for income level	**absolute number**	**in % of valid interviews**	
No fluctuation	78	60	
Fluctuation; by most important factor(s):	53	40	
- self-employment	39	74	
- day labour	9	17	
- support from relatives, friends or neighbours	5	9	
- weather, harvest	3	6	
- employer's business	2	4	
- working time/intensity	2	4	
- ability to work	1	2	
N/A	8	-	

Table A17: Expenditure and Living Conditions of Households Covered			
Expenditures (in JD / month) *(Average: 136.7)*	**GDI household survey**		***CSS (1996a)***
	absolute number	**in % of interviews with data available**	***in % of households***
< 50	1	1	*2*
50 - 100	13	13	*10*
100 - 200	34	33	*44*
200 - 300	28	27	*27*
300 - 400	12	12	
400 - 500	5	5	*26*
> 500	11	11	
N/A	35	-	*0*
Expenditures per household member in JD / month *(Average: 45.1)*	**GDI household survey**		
	absolute number	**in % of interviews with data available**	
< 25	32	31	
25 - 50	46	44	
50 - 100	18	17	
> 100	8	8	
- N/A	35	-	
Number of persons per room *(Average: 45.1)*	**GDI household survey**		***DOS (1995)***
	absolute number	**in % of interviews with data available**	***in % of households***
< 1	6	5	*11*
1 - 2	32	29	*41*
2 - 3	42	38	*28*
3 - 4	17	15	*12*
> 4	14	13	*8*
N/A	28	---	---
Lack of basic household equipment	**GDI household survey**		***DOS (1997)***
	absolute number or number with data available	**in % of interviews with data available**	***in % of urban households***
Television	3 / 121	2	6
Refrigerator	7 / 110	6	12
Heating	2 / 48	4	3
Furniture	2 / 91	2	N/A
Telephone	19 / 98	19	54

Table A18: Correlation between Poverty, Vulnerability and Nature of Employment						
Nature of employment	**poor**	**probably poor**	**near-poor**	**non-vulner-able**	**not classified**	**total**
No household member employed	6 (1.24)	8 (3.31)	1 (0.41)	8 (0.84)	1 (0.21)	24 (1.00)
All employed are either without work contract or labour on a daily basis	7 (2.17)	2 (1.24)	1 (0.62)	6 (0.95)	0 (0.00)	16 (1.00)
All employed are either self-employed or without work contract or day workers	6 (0.93)	1 (0.31)	5 (1.55)	20 (1.58)	0 (0.00)	32 (1.00)
At least one provider with formal employment	5 (0.44)	3 (0.52)	7 (1.22)	15 (0.67)	27 (2.35)	57 (1.00)
N/A	4 (1.99)	0 (0.00)	0 (0.00)	6 (0.00)	0 (0.00)	10 (0.00)
Total	**28**	**14**	**14**	**55**	**28**	**139**

NB: Figures in italics are concentration indices, where 1 stands for average ratio of employment group to total reference income / vulnerability sub-sample, while 2, e.g. stands for double average ratio.

ences were not great. Tables A16 and A17 also show that the distribution of the GDI sample households as regards income and expenditure brackets respectively reflects quite well the national income and expenditure profiles reported by the *Jordan Department of Statistics* and the *Centre for Strategic Research*.

Risks and Risk-coping Strategies

During the interviews households were asked about the occurrence of risks in their past life, their effects on the household's well-being and the strategies households chose to cope with these risks. The aim of these questions was threefold:

— The first aim was to investigate the relation between the occurrence of specific risks and changes in the social and economic situation of households. The coincidence of risk occurrence and a drop in well-being is an indicator for households being vulnerable to this risk as well as for this risk having considerable negative effects on the households.

— The second aim was to analyse the degree of correlation between present absolute poverty and the occurrence of serious risks in the past as a means of assessing the importance of risks as poverty factors.

— The third aim was to identify what kind of coping strategies households prefer in response to specific risks.

Interviewed households reported a high variety of risks to have occurred in the past, the most important being

— life-cycle risks (e.g. death, work disability and old age of the main provider),

— health risks,

— economic risks linked to the country's worsened macroeconomic situation (e.g. unemployment, business failure) and

— a high dependency ratio.

However, it turned out that only a few risks frequently lead to significant declines in economic well-being (see Table A19): Mid- and long-term

Table A19: Past Risks				
	all interviewed households		**poor and probably poor households**	
	absolute number	**in %**	**absolute number**	**in % of interviews**
Life-cycle risks	**52**	**37**	**29**	**63**
- Death of the main provider	19	14	11	24
- Work disability of the main provider	17	12	10	22
- Old age	7	5	3	7
- Marriage of son	5	4	1	2
- Abandonment	4	3	4	9
Health risks	**39**	**28**	**19**	**41**
- Chronic illness	26	19	12	26
- Acute illness	13	9	7	15
Economic risks	**39**	**28**	**13**	**28**
- Loss of employment	22	16	6	13
- Bankruptcy	12	9	6	13
- Underemployment	5	4	1	2
High dependency ratio	**23**	**17**	**9**	**20**
- Increasing number of children	18	13	6	13
- Increasing number of dependants	5	4	3	7
Sudden and high expenditures	**9**	**6**	**3**	**7**
- Funeral costs	5	4	3	7
- Wedding costs	4	3	0	0
Property risks	**4**	**3**	**4**	**9**
- Loss of house	3	2	3	7
- Property damage	1	1	1	2

risks, such as chronic illness, loss of employment, the death of the main provider and a high number of children, led much more often to a substantial drop in well-being than short-term risks such as an acute illness or a wedding celebration. Short-term risks are characterised by limited negative effects and are, therefore, much easier for households to manage.

There is also strong evidence that present poverty is closely linked to the occurrence of risks in the past: First, poor and probably poor households were found to have been hit much more frequently by risks in the past. For all categories of risks, the frequency of past risk occurrence among poor households is above average (see Table A19). Second, while all poor households reported at least one risk occurrence in the past that led to a significant decline in well-being, the same applies for only 75% of the non-poor households.

In response to risks households adopt a large variety of risk coping strategies (see Table A20). Most interviewed households, however, reported having applied for support - from public institutions, from family or from private organisations. The term

Table A20: Coping Strategies		
	absolute number	**in % of number of reported coping strategies**
Ask for support	**72**	**33**
- Apply for assistance at public institutions	30	14
- Ask relatives for support (family assistance)	21	10
- Apply for assistance at private institutions	16	7
- Ask friends or neighbours for support	3	1
- Apply for assistance at the Royal Court	1	0
- Try to use *wasṭa*	1	0
Mobilise new / additional labour	**54**	**25**
- New / additional job of household head	21	10
- Children start to work or work more	14	6
- Wife starts to work	12	5
- Emigration of family member to work abroad	7	3
Borrow	**50**	**23**
- Borrow money from relatives	38	17
- Borrow from friends / neighbours	9	4
- Receive advanced salary payments / borrow from employer	1	0
- Borrow from private lending institutions / banks	1	0
- Borrow from public lending institutions	1	0
Reduce or modify consumption	**16**	**7**
- Reduce or postpone consumption expenditures	16	7
Dis-save or draw from assets	**18**	**8**
- Sell gold / jewellery	6	3
- Dissolve cash-savings	5	2
- Sell other assets (e.g. business)	6	3
- Sell land	1	0
Other strategies	**7**	**3**
Classification as per Sebstad / Cohen (2000), p. 11.		

'support' was understood in a rather broad sense and included recurrent cash grants as well as occasional in-kind assistance. Therefore little can be said about the effectiveness of such support.

Other frequently mentioned coping strategies are (1) looking for additional or better employment opportunities and (2) borrowing. For the latter, households have addressed mainly family members or friends and neighbours when in need for a loan (informal borrowing), whereas formal loans from public institutions or from private banks were of only minor importance. This finding may partly be due to the often very small amount of money borrowed but

Table A21: Coping Strategies in Response to the Occurrence of Risks in the Past

Risks	Coping strategies																				
	social assistance	ask for support from relatives	new job of household head	assistance from private organisations	Reducing / postponing expenditures	wife starts working	borrow money from relatives	borrow money friends / neighbours	children start working / work more	others	sell other assets	emigration	dissolve cash-savings	sell gold / jewellery	ask friends / neighbours for support	borrow money from public inst.	borrow money from banks	sell land	apply for support at *Royal Court*	advanced salary payments	try to use *wasta*
Chronic illness	6	5	1	3	2	2	3	4	3	2	3	0	2	1	0	1	0	0	0	0	0
Loss of employment	2	2	11	0	2	2	2	0	2	1	2	0	2	0	1	0	0	1	0	0	0
Work-disability	6	5	0	3	0	2	1	2	2	1	1	1	0	1	1	1	0	0	0	0	0
Death of the main provider	6	5	0	2	1	5	0	1	2	0	0	1	0	1	0	0	0	0	0	0	0
Bankruptcy	1	4	5	1	1	1	1	1	1	0	0	2	0	0	1	0	0	0	0	0	0
Acute illness	2	1	1	2	2	0	1	1	0	1	0	0	0	1	0	0	0	0	1	0	1
Increasing number of children	2	1	1	1	2	0	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0
Wedding costs	3	1	1	2	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0
Loss of house	2	1	1	1	0	1	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0
Old age	1	0	1	0	2	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0
Underemployment	0	0	0	0	0	0	1	0	0	1	1	1	1	1	0	0	0	0	0	0	0
Abandonment	1	0	0	0	1	0	1	0	0	0	0	1	0	0	0	0	1	0	0	0	0
Funeral costs	0	0	0	0	0	0	1	2	0	1	0	0	0	0	0	0	0	0	0	0	0
Increasing no. of dependants	1	0	0	2	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marriage of son	1	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Property damage	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

may also be due to the limited accessibility of these institutions for low-income groups. Surprisingly, reduction of consumption was reported in only 16 cases of risk occurrence. Probably in most cases the households reduced expenditures at least to some degree. However, this measure is often not unconsciously registered by households and may therefore be mentioned less than other strategies.

The coping strategy used by households depended on the particular kind of risk involved (see Table A21). For example, in case of chronic illness or death of the main provider households frequently asked for support from outside, whereas in cases of unemployment or business failure, households mainly looked for new employment opportunities. Unfortunately, due to a small number of cases, significant patterns could not be observed for all risks.

Current Degree of Social Protection

To assess and understand the need of the poor and near-poor in Jordan for improvements in the field of social protection, some interview questions addressed their current coverage by and satisfaction with operating schemes of social protection:

The GDI survey's results indicate areas of weakness in the coverage, organisation, administration and many other aspects of the current social protection network. No conclusions should be drawn, however, from these results as to the nation-wide coverage, or outreach, of the operating protection systems: The survey is in no way representative. Still, many results are confirmed by representative surveys.

To name an example, only 55 household heads (41 %) from the GDI survey sample were found to be eligible for pensions (or to receive a pension at the time of the interview) and no more than 21 % of the interviewed households reported that all members were covered by health insurance. Nation-wide surveys confirm that the Jordanian social insurance schemes suffer from very low coverage rates, even though the concrete figures differ substantially. Table A22 shows that the households heads of most of the interviewed households (59 %) are not eligible for an old-age, survivor or work-disability pension. Of the insured household heads, 53 % were found to be insured with the *Social Security Corporation* (SSC), 22 % with the *Civil Pension Programme* (CPP) and 29 % with the *Military Pension Programme*.

The health insurance coverage of the interviewed households was low as well (see Table A23). In 60 % of the households, no member had any kind of health insurance (*Civil Health Insurance*, *Royal Medical Services*, *green-card*, employer's or private health insurance), and in only 29 % of the households were all members health-insured.

For poor households, the *green-card* issued by the *Ministry of Health* is of special relevance. It permits needy households to refer to MOH hospitals free of charge However, in only 11 households did all or some members have a *green-card*.

In terms of coverage, UNRWA is still an important provider of health services. Almost half of the interviewed households were found to be eligible for free medical treatment in UNRWA health care facilities. However, only 29 % of the interviewed households reported claiming their right to do so. Decreasing numbers of services provided and lack of medicine was mentioned as the main reason for the low utilisation rate of UNRWA's health services.

Of the 139 interviewed households, 27 reported receiving social assistance from public or private organisations (19 %). Table A24 shows that 19 of the 27 beneficiary households had been classified as 'poor' or 'probably poor'; not one of these households was non-vulnerable. While the failure of inclusion of Jordan's social assistance schemes seems to be moderate (29 % non-needy among the beneficiaries), the error of exclusion is substantial: No more than 50 % of the poor households and 43 % of those classified as 'probably poor' receive monthly cash benefits from official social assistance schemes.

No less than 69 of the 139 interviewed households (50 %) reported having taken out a loan in the past (see Table A24). However, the majority of reporting households have borrowed from relatives (31), friends or neighbours (23) or from their employers (8). No more than 40 households (29 %) have ever applied for a formal sector credit. Despite the household survey's focusing on low-income urban quarters, commercial banks are by far the most important providers of interest-bearing credits: 21 households reported having or being in need of a bank credit, while the outreach of public social loan providers and micro-credit companies remains marginal.

Households, however, have found a solution to cope with the difficulties in formal credit market access: Almost half of the households participate in *Ǧamaᶜiyyāt* as a strategy to cope with fluctuations in levels of income and spending. *Ǧamaᶜiyyāt* are rotating savings and credit associations (ROSCAs), shared with neighbours or friends (67 %) or colleagues (22 %). Participants contribute between 5 and 50 JD per month to a joint fund which is in turn paid out to one of the members (see Table A25).

Table A22: Eligibility of Household Heads for Pensions

	absolute number	in % of valid interviews
Not eligible	78	59
Eligible	55	41
- SSC	29	22
- CPP	11	8
- MPP	14	11
- Professional association	2	2
- Foreign country	1	1
- Multiple eligibility	2	2
N/A	6	-

Table A23: Coverage by Health Insurance

	whole household	*in % of valid interviews*	some members	*in % of valid interviews*	no member	*in % of valid interviews*
No insurance	82	*60*	26	*19*	29	*21*
Insurance	29	*21*	26	*19*	82	*60*
- Civil Health Insurance Programme	10	*7*	9	*7*	118	*86*
- Green-card	8	*6*	3	*2*	126	*92*
- Royal Medical Services	7	*5*	12	*9*	118	*86*
- Health insurance by employer	1	*1*	6	*4*	130	*95*
- Private health insurance	2	*1*	1	*1*	134	*98*
Free access to UNRWA facilities	67	*49*	4	*3*	66	*48*
NB: Only 137 households were considered; for two households no data were available.						

Similarly, a high number of households reported sharing in mutual insurance funds with their relatives or with other families from the same town of origin (in Palestine in most cases). Such 'family' and 'solidarity' funds are also financed by monthly contributions, though these are considerably lower than for ROSCAs and range between 1 and 20 JD per month. The funds, however, accumulate the collected contributions and pay back only in certain predefined cases or when a member family is in need. 42 and 24 interviewed households respectively reported to be member of family and solidarity funds. Most funds cover funeral costs, expensive health treatments, social events like weddings or the education of children from needy families (see Table A26).

Table A24: Social Assistance, Mutual Support and Access to Credits

	all house-holds	poor	proba-bly poor	near-poor	non-vulner-able	not classifi-able
Memo: total number of households in sample	***139***	***14***	***28***	***55***	***28***	***14***
Receive any kind of recurrent assistance	**52**	**8**	**18**	**17**	**6**	**3**
receive recurrent **social assistance**	27	7	12	6	0	2
have ever applied for social assistance	*42*	*10*	*16*	*10*	*3*	*3*
receive assistance from **MOSD / NAF**	13	4	7	2	0	0
have ever applied for assistance from MOSD / NAF	*26*	*8*	*11*	*5*	*1*	*1*
receive assistance from ***zakat*** **committee**	9	4	4	1	0	0
have ever applied for zakat	*14*	*7*	*5*	*1*	*0*	*1*
receive assistance from **UNRWA**	10	1	4	4	0	0
have ever applied for assistance from UNRWA	*12*	*2*	*4*	*5*	*0*	*1*
receive assistance from **Royal Court**	2	0	1	0	1	0
have ever applied for assistance from Royal Court	*4*	*0*	*1*	*0*	*2*	*1*
receive assistance from **Islamic NGO**	5	3	2	0	0	0
have applied for assistance from Islamic NGO	*8*	*5*	*2*	*1*	*0*	*0*
receive assistance from **other NGO**	7	0	5	2	0	0
have ever applied for assistance from other NGO	*7*	*0*	*5*	*2*	*0*	*0*
receive assistance from **other organisation**	4	0	2	2	0	0
have ever applied for assistance elsewhere	*4*	*0*	*2*	*2*	*0*	*0*
receive any kind of support **from friends or neighbours**	35	8	10	12	5	0
occasional or recurrent **borrowing**	23	5	4	10	4	0
occasional or recurrent **cash grants**	10	4	3	3	0	0
occasional or recurrent **in-kind assistance**	9	2	4	2	0	0
receive any kind of support from **relatives**	71	4	18	28	14	7
occasional or recurrent **borrowing**	31	0	5	16	6	4
occasional or recurrent **cash grants**	50	4	15	20	8	3
occasional or recurrent **in-kind assistance**	24	2	8	10	3	1
provide any kind of support **to friends or neighbours**	17	0	0	8	8	1
provide any kind of support to relatives	37	2	4	16	10	5
Have ever borrowed money from a friend, a relative, a bank, a credit organisation or any other source	69	7	8	31	15	8
Have ever borrowed money from a **friend**	23	5	4	10	4	0
Have ever borrowed money from a **relative**	31	0	5	16	6	4
Have ever borrowed money from their **employer**	8	0	0	1	5	2
Have ever taken out a **credit**	36	2	4	13	11	6
Have ever applied for credit	*40*	*4*	*5*	*13*	*11*	*6*
Have ever taken out a loan from a **bank**	21	1	4	7	5	4
Have ever applied for a loan from a bank	*27*	*3*	*5*	*7*	*7*	*5*

(Table A24 continued)						
	all households	**poor**	**probably poor**	**near-poor**	**non-vulnerable**	**not classifiable**
Memo: total number of households in sample	139	14	28	55	28	14
Have ever taken out a loan from **DEF**	1	0	0	0	0	1
Have ever applied for a loan from DEF	*2*	*1*	*0*	*0*	*0*	*1*
Have ever taken out a loan from an **NGO**	5	1	0	1	1	1
Have ever applied for a loan from an NGO	*5*	*1*	*0*	*1*	*1*	*1*
Have ever taken a out loan from a **micro-credit co.**	2	0	0	1	1	0
Have applied for a loan from a micro-credit co.	*2*	*0*	*0*	*1*	*1*	*0*
Have ever taken out a loan from **other institutions**	6	0	0	4	2	0
Have ever applied for a loan elsewhere	*7*	*0*	*1*	*4*	*2*	*0*

Table A25: Spread of ROSCAs		
Participation	**absolute number of households**	**in % of interviews with data available**
Households participating at present	57	42
Households have ever participated	66	49
Households have never participate	70	51
Number of ROSCAs shared at a time	**absolute number of households**	**in % of interviews with data available**
0	79	58
1	45	33
2	4	3
3	7	5
> 3	1	1
Spending on all ROSCAs in JD per month	**absolute number of households**	**in % of participating households with data available**
< 5	5	9
5 - 10	2	4
10 - 20	14	26
20 - 50	17	31
> 50	15	28
N/A	4	---

(Table A25 continued)		
Number of participants per ROSCA	**absolute number of households**	**in % of participating households with data available**
< 10	1	2
10 - 20	24	48
>20	25	50
N/A	7	---
ROSCA in most cases shared with...	**absolute number of households**	**in % of participating households**
... relatives	8	14
... neighbours or friends	37	65
... colleagues	12	21
Total benefit (in JD) paid out in turn	**absolute number of households**	**in % of participating households with data available**
< 100	3	16
100 - 200	6	32
> 200	9	47
N/A	39	---
Benefit in most cases used for...	**absolute number of households**	**in % of participating households with data available** ***(double counting possible)***
durable consumer goods, house, apartment	31	55
paying bills or debts	10	18
social events (weddings, feasts, ...)	8	14
saving	7	13
gifts and support of family	5	9
business projects	5	9
health treatment costs	4	7
education	4	7

Table A26: Spread of Family and Other Funds				
	family funds		**other solidarity funds**	
Participation	**absolute number of households**	**in % of inter-views with data available**	**absolute number of households**	**in % of in-terviews with data avail-able**
Households participating at present	31	25	24	22
Households not participating but interested in access to a fund	11	9	0	0
Fund used to exist	18	15	4	4
No fund ever existed	62	51	82	75
N/A	17	---	29	---
Fund shared with	**absolute number of households**	**in % of house-holds with access & with data available**	**absolute number of households**	**in % of households with access & with data available**
neighbours			4	14
colleagues			3	11
people from the same town of origin			21	75
Monthly contributions				
< 5	22	69	11	92
5 - 10	6	19	1	8
10 - 20	4	13	0	0
N/A	28	---	16	---
Monthly contributions to be paid by...				
... household heads only	9	43		
... all males	7	33		
... all working males	2	10	*no data available*	
... all working household members	3	14		
N/A	39	---		

(Table A26 continued)				
	family funds		**other solidarity funds**	
Benefits granted in cases of...		***(double counting possible)***		***(double counting possible)***
... funeral costs	37	74	13	52
... assistance of poor member families	5	10	6	24
... assistance of the work-disabled	2	4	1	4
... assistance of widows and orphans	3	6	1	4
... expensive health treatment	11	22	11	44
... education of children	12	24	4	16
... wedding, birth, other festivities	15	30	3	12
... liability problems	9	18	4	16
... loans for housing or business	8	19	2	8
... bankruptcy	0	0	2	8
... property damage (e.g. fire in house)	1	0	1	4
No predefined cases	6	10	5	20
N/A	4	---	3	---

Table A27: Opinion of Poor and Near-Poor Households about Micro-Insurance		
	absolute number of households	**in % of poor and near-poor households with an opinion**
Very positive	11	13
Positive	57	68
Indifferent	7	8
Negative	7	8
Very negative	2	2
N/A	13	-
Sum	**97**	**100**

Prospects of Micro-Insurance

The last part of the interview was dedicated to micro-insurance. First, the idea of micro-insurance was introduced to the households by describing to them the example of the *Self-Employed Women's Association* (SEWA) in India, which implemented a micro-insurance scheme covering illness, death of the main provider, work disability and property damage. After having explained the concept of micro-insurance, the households were asked for their opinion about micro-insurance, their willingness to participate in such a scheme, their ability to pay as well as about problems concerning the implementation of micro-insurance. Finally, they were asked about their preferences regarding the design of a micro-insurance scheme: what risks should be covered, what kinds of benefits should be provided and what agent they would trust (see guidelines of interviews with households and with possible agent institutions at the end of this annex). This part of the

Table A28: Willingness of Poor and Near-Poor Households to Participate in Micro-Insurance		
	absolute number of households	**in % of valid interviews with poor and near-poor households**
Yes	65	81
No	15	19
N/A	17	-
Sum	**97**	**100**

Table A29: Preference of Households for Risks to be Insured		
	absolute number	**in % of poor and near-poor households**
Risks mentioned to be covered:		
Illness	62	64
Death of the main provider	48	49
Work-disability	25	26
Property damage	21	22
Other(s)	65	67
Most important risk to be covered:		
Illness	42	43
Death of the main provider	18	19
Work disability	6	6
Property damage	2	2
Other(s)	7	7

tutions at the end of this annex). This part of the questionnaire was the most open; for this reason a quantitative analysis of the information obtained is possible only in part.

An overwhelming majority of the urban poor and near-poor households responded positively or even enthusiastically to the concept of micro-insurance, (see Table A27). Consequently, most of the households also expressed their willingness to participate in a possible scheme (see Table A28). However, when asked about the viability of micro-insurance in their surroundings, some households feared a lack of solidarity among the insured, noting that existing institutions might lack the capacities to act as micro-insurance agents. Households were also asked about appropriate contribution levels. Most of the interviewed households considered monthly contributions between JD 1 and JD 20 as the highest amount affordable for them (see Table A29). The level was found to be markedly correlated with income. Near-poor households in Jordan are willing and able to pay for micro-insurance, the average maximum contribution being 8.25 JD per household and month.

The Design of Micro-Insurance

With respect to the risks to be insured, i.e. illness, death of the main provider, work disability and property damage, the target group clearly favoured illness

Table A30: The Ability of the Poor and Near-Poor to Pay for Micro-Insurance		
Maximum affordable contribution (in JD per month and household)	**absolute number**	**in % of valid interviews with poor and near-poor households**
Not able	8	12
1-2	11	17
2-5	21	32
5-10	11	17
10-20	9	14
20-50	5	8
N/A	32	-
Sum	**97**	**100**
Average contribution:	**8.25**	
Correlation between income and contribution:	**0.50**	

(see Table A30): 64 % of the poor and near-poor households preferred coverage for illness. Still, almost half of the interviewed would like to see the death of the main provider covered, while work disability and property damage were mentioned less frequently.

The households were also asked for the risk to which they would assign the highest priority. Again, illness was mentioned in the first place (43 %), followed by the death of the main provider (19 %).

The importance the focus group assigned to illness and, though to a smaller extent, the death of the main provider corresponded to risk occurrences in the past, since illness and the death of the main provider were the single risks most frequently reported by the households (see Table A19). Thus there is sufficient evidence that the coverage of both or of one of these risks would meet the needs of the urban poor and near-poor.

Guideline for Household Interviews

Questions	Areas of Interest / additional questions	Dimensions
1. Means test (to be carried out during the interview)	– Endowment of households with: – TV / colour TV – Refrigerator / defrost refrigerator – Telephone – Furniture / quality of furniture – Quality of building and roof – Number of rooms	**means-tested poverty**
2. Apart from you: who is living in this house? **Which persons includes your family?**	**1a. Household composition:** – Number of household members – Number of children under 16 – Number of old aged over 60 – Number of working (men and women) – Number of work-disabled	**Composition of household** **Causes / factors of current crisis (present risk group)**
	1b. The interviewed / **1c. The household head** – Gender – Age – Employment status – Profession – Working contract – Marital status – Education	
	1d. Other household members – Relation to interviewed – Gender – Employment status – Profession – Working contract – Marital status – Education	

Questions	Areas of Interest / additional questions	Dimensions
3. How would you describe the situation of your household?		**Subjective poverty;** **Existing problems**
4. Were there times when you were in a different situation? a. *If yes*: What happened at that time? b. Did you experience any other change of your situation?	– Any change in economic well-being? – When? – Gradual or sudden change? – Identifiable factors of change? – Ranking of factors	**Occurrence of risks in the past**
	– What did you do to manage the situation? – Did you receive any help in this situation? *If yes: go to 4., 5. and 6.*	**Preference for risk coping strategies in the past** **Coverage by transfer systems**
	– How did your situation develop since that time? *If other events: go back to 3 a.*	**Success of coping strategies**
5. Have you ever (again) applied for social assistance? a. *If yes / if no:* Why? b. *If yes*: What happened when you aplied? c. *If other applications go back to 4b*	– Successful access to assistance? – What happened? Did you receive it? – Opinion about application? – Provider of assistance (family, neighbours, government, NGOs...)? – Amount and kind of support? – Regular assistance? – Opinion about the support? – Expected kind of support?	**Effectiveness of social assistance,** **Quality of application procedures**
6. Have you ever (again) applied for credit? a. Have you ever borrowed money from friends or neighbours? b. *If yes / if no*: Why? c. *If yes*: What happened when you applied for? d. *If other applications: go back to 5 b.*	– Successful access to credit? – Opinion about application? – Provider of credit (family, neighbours, government, banks, MFI, employer, NGOs...)? – Amount of credit? – For which purpose did you use the credit? – Opinion about the credit provider? – Expected kind of support?	**Effectiveness of credits** **Quality of application procedures** **Borrowing from relatives, friends, neighbours**

Questions	Areas of Interest / additional questions	Dimensions
7. Do you receive support from your family, neighbours or friends? a. *If yes*: How does your family support you?	– Within your family/ among your friends and neighbours, do you support one another? – From whom do you receive assistance (family, friends, neighbours)? – From abroad / Jordan? – Kind of support? – Amount of support? – Regularly / on occasions? – In which cases do you receive support? – Are you providing support? – To whom?	**Out-reach of networks**
b. *Optional*: Do you support relatives, neigh-bours or friends?	– To whom (family, friends, neighbours) – Amount of support	
8. Does your income differ from month to month?	*(not spending!)*	**Capability to pay for social protection**
9. Do you often have to postpone urgent expendi-tures? Which ones?	*e.g. telephone, electricity, water bills*	
10. How much do you spend on average per month?		
11. How much of this do you spend on food?		
12. Do you own a house or land?	– Do you own your house / flat? – Is the land of house your own? – Do you own additional land in Jordan? – How did you buy it? (By credit?)	
13. Do you sometimes think about what might happen in the future?	– Are you worried about financial crisis in the future? – Why? – What are you afraid of? – What do you fear most for the future?	**Future risks** **Awareness about risks**

Questions	Areas of Interest / additional questions	Dimensions
14. How do you hope your future could be?	– What could mainly influence your present situation? – Are you afraid of financial shocks?	**Risk prevention efforts** **Wishes for future protection** **Ideas about ideal protection system**
15. What are you doing to provide for the future?	– Do you have savings for emergency cases? – What else are you doing?	
16. Is there anything you could do now to protect from future risks?		
17. How would you like to care for the future?	– Is there any kind of protection that you would like to have but that you cannot afford? – What kind of system would you like to exist for this purpose?	
18. What would happen, if the main provider was dismissed / lost her / his job?	– Do you have entitlements to support? – From which institution? – Will any assistance be sufficient? – What else could you do? – Will you need further assistance? – Aware about risk?	**Current state of protection from** **- unemployment** **- health risks** **- life-cycle risks** **Preference for coping strategies in case of future risks** **Risk prevention efforts**
19. What happens, when the main provider is getting older?	– Does the main provider receive a pension? – From which institution? – Will any assistance be sufficient? – What else could you do? – Will you need further assistance? – Aware about risk?	
20. What happens, if s.o. in the household needs an urgent but expensive surgery?	– What health system do you usually refer to? – Are you entitled to cheaper health treatment? – Where? At UNRWA, MOH hospitals or the RMS? – Do you have health insurance? – Does anyone in the household have a *green card* from the Ministry of Health? – Will any assistance be sufficient? – What else could you do? – Will you need further assistance? – Aware about risk? – Do you regularly go to the doctor’s?	

Questions	Areas of Interest / additional questions	Dimensions
21. Are you in regular medical treatment	– Has anybody in the household ever needed an expensive medical treatment?	**Spread of health risks**
22. Do you share a ROSCA? a. *If yes:* How does it work?	– To how many ROSCAs do you contribute? – Size of contributions – For what purpose do you use the benefits? – Benefit mechanisms – Administration (organising person or institution) – Satisfaction / opinion	**Spread of ROSCAs**
23. Do you participate in a family fund or some other fund shared with your neighbours, colleagues or friends?	– Size of contributions – Frequency of contributions – Case of benefit – Administration (organising person or institution) – Satisfaction / opinion	**Spread of family funds and other funds**
24. *SEWA story*; **What do you think about a mutual fund like the SEWA-fund to operate in your neighbourhood?**	– What do you think about the SEWA-fund in general? – Could you imagine to participate in such a fund? – What would you be afraid of? – Where do you see problems?	**Opinion about micro-insurance;** **Concerns**
a. How much would you be ready to pay to such a fund?	– Would you pay contributions? *If yes*: – How much would you contribute per month? – Would you contribute per person or for your family?	**Ability and willingness to pay for micro-insurance**
b. Which risk would you like to be covered by this fund?	– In which cases should the fund pay out a benefit for you?	**Preference for risks to be covered by micro-insurance**

c. What kind of benefits do you expect to receive?	– With a monthly / weekly contribution of .... JD, what benefits do you expect in case of
	  – the death of the main provider,
	  – the work-disability of the main provider,
	  – a property damage,
	  – illness?
	  – ...
	– What would you prefer: limited treatment costs covering all diseases or unlimited treatment costs covering only selected diseases?
		Preferred Benefits

Questions	Areas of Interest / additional questions	Dimensions

continued:
c. What kind of benefits do you expect to receive?
	– What would you prefer: regular primary health care or rare cases of tertiary health care?
	– What would you prefer: public health care or private health care, but with a more limited range of services?
	– How much would you be ready to pay in order to .....
	    – have full insurance against
	    – the death of main provider,
	    – the work-disability of main provider,
	    – a damage of property,
	    – illness?
	    – get reimbursed all costs for treatment in public hospitals?
	    – get reimbursed all treatment costs in the public health sector?
	    – get reimbursed all costs for treatment in any hospital?
	    – receive 2,500 JD in case of either the death or the work-disability of the main provider (before age 60)? [ready to pay 3 JD a month?]
	    – get reimbursed all damage at the house from fire?
		continued:
		Preferred Benefits

d. Which organisation would you trust to organise such a fund?	– Who – do you think – could organise such a fund? – Would you trust local NGO, government institution, UNRWA, SSC, Noor al-Hussein-Foundation or Mukhtar? – Would you pay contributions to this organisation – Why?	**Potential actors**
25. Have you heard about private / commercial insurance companies?	– Knowledge about insurance? – What have you heard of insurance companies? – Would you like to insure with private companies? – What do you think about life insurance?	**Opinion about public and private insurance** **Opinion about life insurance**
26. What do you think about the SSC?	– What is your opinion about the SSC? – Would you like to insure with the SSC?	

Guideline for Possible Agent Institution Interviews

Criterion	**questions**
Confidence of target group in institution	*tested by household survey*
Out-reach of institution	– How many clients does the institution have? – How many people are in regular contact with the institution? – How many additional households could the institution reach? – How many branch field offices / community centres does the institution have? How many organisations / committees are affiliated?
Proximity of institution to target group	– Does the institution have a decentralised structure? – How are the responsibilities shared between the head quarter (the apex institution) and the branches / affiliated organisations? – What is the institution's main area of activities? Is it active in urban / rural areas? Could the institution imagine to extend its activities to urban areas?
Commitment of institution to target group	– What are the objectives of the institution? – Who defined these objectives? – Are the programmes aiming at reaching these objectives? – Who is the typical client of the institution's programmes? – Whom does the institution address within the households? – Since when does the institution deal with its target group? – Has the structure of the group of clients undergone major changes in the past?
Proficiency of institution's staff	– What are the institution's criteria to select new staff members? – How are the salaries of staff members? – How are staff members trained for their job? – Does the institution suffer from a high fluctuation of staff members? – Would staff members be able to administer a micro-insurance programme?
Experience of institution with financial products	– Does the institution have experience with financial products? What kind of? – How are they financed? Are they sustainable? – Could micro-insurance products be linked to existing programmes?

Criterion	**questions**
Administrative capacity and performance of institution	– What kind of programmes is the institution running now? – Which tasks does the institution have to fulfil in running these programmes? – Does the institution have experience with awareness campaigns? – Do the programmes regularly go through internal / external evaluations? – How do marketing and services (monitoring, enforcement, provision...) look like? – What are the strengths and weaknesses of the institution? – How will organisation look like in three years? – Does the institution feel capable of running micro-insurance? – What are the specific advantages of the institution in comparison with others?
Organisational and financial stability of institution	– Since when has the institution been existing / running its programmes? – Is the budget balanced? – Are the programmes sustainable? – How are the programmes financed? (external funding?) – What share of total spending is for administrative costs?
Willingness of institution to participate in micro-insurance and co-operate with commercial insurance companies	– Is the institution generally interested in broadening its activities? – Does it understand the concept of micro-insurance? – Is it interested in offering micro-insurance products? – Is it ready to deal with commercial partners (for-profit insurance companies)? – Are staff-members also willing to run a micro-insurance programme?

Annex B

Tables and Statistics

Tables B1 – B5: General Economic, Fiscal and Demographic Development

Table B1: De-composition of GDP

(share on GDP in %)	1990 – 1995						1995 – 1998			
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1995**	**1996**	**1997**	**1998**
Private consumption	74	71	76	71	66	65	62	69	70	71
Public consumption	25	25	23	23	24	23	24	26	27	26
Gross saving	25	7	9	19	19	14	18	7	13	N/A
% internal saving	1	3	2	6	10	12	14	5	3	3
% external saving	24	4	7	13	9	2	4	2	10	N/A
Consumption	99	97	99	94	90	88	86	95	97	97
Gross investment	26	24	30	34	33	32	31	31	27	23
% change in stocks	6	2	4	3	1	2	3	1	-0	1
Current account balance	-31	-23	-33	-31	-24	-21	-4	-3	0	0
% trade balance	-41	-35	-42	-42	-32	-29	-30	-37	-32	-28
% tourism	5	1	3	5	4	4	4	6	6	6
% other services	6	10	7	6	5	3	3	5	3	0
% capital income	-10	-7	-7	-6	-5	-4	-4	-5	-3	-2
% remittances	11	9	14	17	17	17	17	22	21	18
% public transfers	10	4	7	6	5	5	5	6	6	5
Net factor income excluding remittances	1	3	3	1	0	0	0	0	0	0
Change in assets	-25	-4	-7	-13	-9	-2	-4	-2	-10	-6
% capital balance	-6	2	3	-3	-1	3	-3	-2	-4	-4
% deficit financing	-19	-6	-10	-10	-7	-5	-1	0	-6	-2
GDP at market prices (JD billion)	**2.67**	**2.86**	**3.49**	**3.80**	**4.20**	**4.65**	**4.56**	**4.71**	**4.95**	**5.18**

Source:

1990 - 1995: IMF (1997), pp. 4 and 29; own calculations

1995 - 2000: SSC (1998); own calculations

Table B2: Selected Monetary Indicators 1995-2000						
(%)	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**
Change in cost of living index	N/A	N/A	6.5	3.0	3.1	0.6
Change in wholesale price index[a]	4.1	-2.4	2.0	1.6	0.7	N/A
Exchange rate change (to US$)	N/A	N/A	-1.2	0	0	0
Exchange rate change (to EURO)	N/A	N/A	1.9	11.9	1.0	5.3
Money growth (M2)	N/A	N/A	0.3	7.8	7.6	11.4
Demand deposit interest rate	1.0	1.0	1.1	1.2	1.4	N/A
Savings deposit interest rate	4.9	4.9	5.3	5.0	4.6	N/A
Time deposit interest rate	7.1	7.7	8.5	9.2	8.3	N/A
Overdraft interest rate	10.9	11.4	12.4	13.0	12.5	N/A
Loans and advances interest rate	10.5	10.7	11.3	12.3	12.9	N/A
Discounted bills interest rate	11.3	11.6	12.4	13.3	13.8	N/A
Share price index weighted by market capitalisation for *Amman Stock Exchange*[b]	N/A	10.9	-3.6	10.2	0.5	-1.6
Source: CBJ (1999), pp. 80, 81, 84, 94; [a]SSC (1998), p. 75; [b]SSC (1999), Table 7						

Table B3: Size of Economic Sectors 1997		
(%)	**share on GDP**	**share on employees**
Agriculture	3.0	6.4
Industry and mining	11.5	10.6
Electricity and water	2.5	0.7
Construction	4.6	7.0
Transportation and communication	13.7	6.7
Trade and tourism	10.0	15.1
Finance	16.2	2.9
Public administration and social services	20.8	50.6
Source: EIU (1999)		

Table B4: Central Government Budget				
(JD million)	**1993**	**1995**	**1997**	**1999**
Total receipts	**1404**	**1669**	**1651**	**1607**
Taxes	643	758	841	874
% sales tax / value added tax	174	264	346	435
% income and property taxes	119	152	157	153
% customs duties	238	210	247	279
Other revenues	548	693	585	706
% fees	113	151	166	172
% licenses	62	66	32	25
% revenues from post and telecommunication	136	158	6	6
% interest and profits	65	39	19	197
Transfers from abroad	160	170	225	27
Total spending	**1466**	**1746**	**1763**	**1703**
Current expenditure	1182	1252	1446	1369
% wages and salaries	247	313	356	313
% interest payments	251	248	240	248
% defence and security	321	390	431	390
% subsidies	54	64	102	64
% direct transfers	191	235	257	235
Capital expenditure	254	334	327	334
Balance deficit	**62**	**77**	**113**	**84**
Net lending from internal sources	23	35	47	64
Net lending from external sources	24	186	3	1
Source: EIU (1999); for 1999: CBJ (1999), p. 103 (data given not completely compatible)				

Table B5: Age Structure of the Jordanian Population 1999			
Age cohort (years of age)	**total**	**urban**	**rural**
0 - 4	13.6 %	13.2 %	14.8 %
5 - 9	14.1 %	13.8 %	15.2 %
10 - 14	12.8 %	12.6 %	13.7 %
15 - 19	12.4 %	12.3 %	12.7 %
20 - 24	10.2 %	10.2 %	10.1 %
25 - 29	7.9 %	8.0 %	7.5 %
30 - 34	6.6 %	6.7 %	6.4 %
35 - 39	5.3 %	5.5 %	4.5 %
40 - 44	3.8 %	3.9 %	3.5 %
45 - 49	3.0 %	3.0 %	3.0 %
50 - 54	2.8 %	2.9 %	2.4 %
55 - 59	2.3 %	2.5 %	1.7 %
60 - 64	2.0 %	2.2 %	1.5 %
65++	3.2 %	3.3 %	2.9 %
Source: DOS (2000b), Table 1 / 1			

Tables B6 – B9: Poverty and Income Distribution

Table B6: Poverty Indicators by Region and Urban / Rural 1998						
(urban / rural in %)	**Amman**	**Zarqa & Mafraq**	**Balqa & Madaba**	**Irbid**	**Jarash & Ajlun**	**South**
Income less than 1450 JD per capita	23 / 41	27 / 31	31 / 47	25 / 26	30 / 27	17 / 32
Reduction in income during last years	25 / 23	28 / 15	23 / 21	15 / 9	14 / 14	20 / 18
No health facility nearby	25 / 48	25 / 48	42 / 56	37 / 40	60 / 63	38 / 45
Children with low birth weight	7 / 13	9 / 14	9 / 21	8 / 16	11 / 18	15 / 20
Stunted	11 / 17	14 / 27	14 / 22	10 / 13	15 / 20	15 / 24
Drinking water problems	19 / 25	22 / 34	9 / 9	9 / 16	15 / 19	7 / 11
More than 1 person per room	84 / 88	88 / 91	88 / 93	88 / 87	92 / 94	86 / 90
Unemployed	16 / 17	21 / 14	21 / 19	16 / 15	20 / 16	14 / 15
Household head outside labour force	27 / 21	24 / 21	26 / 20	27 / 27	26 / 27	18 / 27
Household head has basic education or less	59 / 69	70 / 80	66 / 81	68 / 72	72 / 80	63 / 80
Female headed household	10 / 10	12 / 6	11 / 7	12 / 14	13 / 11	10 / 11
Females not in labour force	85 / 88	85 / 90	80 / 80	88 / 89	84 / 90	78 / 82
Persons 17 - 23 (years of age) not enrolled	63 / 58	72 / 78	61 / 69	63 / 63	66 / 71	67 / 67
Source: Shteiwi (1999b)						

Table B7: The Extent of Poverty among Households According to Different Sources

Source	1987	1991 / 92	1995	1997
Subjective definition of poverty				
Hanssen-Bauer/ Pedersen/ Tiltnes (1998)			14.0%	
Absolute definition of poverty, national poverty lines				
MOSD (1993) as quoted in Shteiwi (1999b)[a]	18.7%	21.3%		
Bakir (1996) as quoted in Shteiwi (1999b)[b]		24.0%		
IBRD (1999d)[c] based on DOS surveys	3.0%	14.4%		11.7%
DOS (1991) as quoted in IBRD (1994c)		19.8%		
Mrayyan / Kamal (1997) as quoted in IBRD (1999e)			21.0%	
Al-Khasawneh et al. (1998) as quoted in IBRD (1999e)[f]			26.0%	
Hanssen-Bauer / Pedersen / Tiltnes (1998)[g]			27.0%	
Bakir (2001)				23.0%
Absolute definition of poverty, universal poverty lines				
Chen et al. (1993) as quoted in Tabatabai (1996)[h]		18.3%		
IBRD (1999c)[j]		23.5%		
IBRD (1999c)[k]		2.5%		

a Household expenditure poverty line of 1068 JD per year in constant 1986 prices. Also quoted in Tabatabai (1996).

b Individual expenditure poverty line of JD 148 per year in constant 1986 prices (about JD 1068 per household and year in constant 1986 prices).

c Individual expenditure poverty line of JD 148 per year in constant 1986 prices (about JD 1068 per household and year in constant 1986 prices).

f Individual expenditure poverty line of JD 148 per year in constant 1986 prices (about JD 1068 per household and year in constant 1986 prices).

g Household expenditure poverty line of JD 1450 per year in 1996 prices.

h Individual expenditure poverty line of PPP-US$ 1 per day in constant 1985 prices.

j Individual expenditure poverty line of PPP-US$ 2 per day in constant 1985 prices.

k Individual expenditure poverty line of PPP-US$ 1 per day in constant 1985 prices.

Table B8: Poverty Head Count Ratios by Governorates 1989 / 1993						
(%)	**destitute absolute poverty ratio**		***regional distribution***	**absolute poverty ratio**		***regional distribution***
	1989	**1993**	***1993***	**1989**	**1993**	***1993***
Amman	1.1	4.7	*29.0*	14.5	16.2	*31.0*
Zarqa	1.4	5.3	*11.9*	17.9	19.5	*15.0*
Irbid	1.7	8.6	*31.7*	21.9	26.2	*29.2*
Mafraq	4.8	9.8	*5.3*	28.5	29.5	*5.4*
Balqa	1.9	9.4	*7.9*	28.6	27.2	*8.1*
Karak	1.5	10.9	*6.9*	20.4	28.6	*5.8*
Tawfileh	0.8	7.9	*2.1*	19.8	25.6	*1.9*
Ma'an	2.5	7.3	*4.2*	19.6	23.5	*3.4*
Jordan	1.5	6.6	*100.0*	18.7	21.3	*100.0*

Source: Shteiwi (1999b)

Table B9: Measures of Poverty and Income Distribution								
		Gini coeffi-cient	**head-count index (%)**	**poverty depth (%)**	**poverty gap index (%)**	**squared poverty gap index (%)**	**number of poor (thousand)**	**poverty gap (JD mil-lion)**
1976	A	0.380	N/A	N/A	N/A	N/A	N/A	N/A
1982	A	0.322	N/A	N/A	N/A	N/A	N/A	N/A
1986	B	0.397	N/A	N/A	N/A	N/A	N/A	N/A
1988	C	0.450	N/A	N/A	N/A	N/A	N/A	N/A
1991	D	0.434	N/A	N/A	N/A	N/A	N/A	N/A
1992	D	0.494	14.42	24.87	3.58	1.33	543.8	35.3
1997	D	0.384	11.70	21.71	2.54	0.87	538.4	36.6

Source:

A: Haddad (1990), pp. 22ff.

B: Ali Sha'ban (1990), pp. 66ff.

C: Shteiwi (1999b)

D: IBRD (1999e), pp. 7 - 9

Tables B10 – B12: The Labour Market

Table B10: Unemployment and Labour Force Participation 1998 and 2000

(%)	**CSS 1996**	**FAFO 1998**	**DOS 2000**				
Population	100.0	100.0	100.0				
% under 15	41.4	42.5	40.5				
% over 15	58.5	57.5	59.5	100.0			
% out of labour force	35.7	32.1	36.2	60.9			
% student	12.0		11.2	18.9			
% house keeping	14.9		20.0	33.7			
% wealthy			2.5	4.2			
% work disabled	1.4		1.4	2.4			
% other	5.0		1.0	1.7			
% given up looking for employment	2.4		2.2	3.8			8.9
% in labour force	22.8	25.4	23.3	39.1	100.0		91.1
% unemployed	5.1	4.3	3.3	5.6	14.4		13.1
% employed	17.8	21.1	19.9	33.5	85.6	100.0	78.0
% part-time employed		3.9	7.6	12.8	32.7	38.2	
0 - 14 h per week			1.3	2.2	5.6	6.6	
15 - 36 h per week			6.3	10.6	27.0	31.6	
% full-time employed		14.8	12.3	20.7	52.9	61.8	
37 - 50 h per week			6.3	10.6	27.1	31.7	
More than 50 h			6.0	10.1	25.8	30.1	
% looking for additional employment			2.5	4.3		12.7	9.9
Insufficient earnings			1.7	2.9		8.6	6.7
Does not meet educational qualifications			0.1	0.2		0.5	0.4
Short hours			0.0	0.0		0.1	0.0
Other			0.0	1.1		3.3	2.6
% not looking for additional employment			17.4	29.2		87.3	68.0
% in labour force or outside as invisible unemployed			25.5	42.9			100.0
% full-time			17.4	29.2			68.0
% unemployed or underemployed			8.2	13.7			32.0

Table B10 continued (Unemployment and Labour Force Participation 1998 and 2000)	
N B:	54% of the employed have no formal working contract.
	11% of households have only one (female) family-head.
Source:	1996: CSS (1996a), pp. 36, 44 and 79; own calculations
	1998: Hanssen-Bauer / Pedersen / Tiltnes (1998), pp. 228ff.
	2000: DOS (2000b), Tables 1/1, 2/5, 3/1, 8/1, 8/3; own calculations

Table B11: Labour Market Development 1993-1999

	working age population 15-64 years (thousands)	**size of labour force** (thousands)	**number of employed** (thousands)	**number of unemployed** (thousands)	**labour force participation rate** (%)	**un-employment rate** (%)	**total dependency rate** (%)
1987	N/A	N/A	N/A	N/A	N/A	14.9	N/A
1993	2192	958	770	188	42.4	19.6	4.2
1994	2295	977	823	151	41.3	15.8	4.0
1995	2261	963	833	130	41.4	15.3	4.0
1996	2344	N/A	N/A	N/A	N/A	12.1	N/A
1997	2665	N/A	N/A	N/A	N/A	14.4	N/A
1998	2736	1179	1058	121	41.8	10.3	3.5
1999	2803	1176	993	183	39.2	15.6	3.9

Source: DOS (1999), pp. 5, 39 and 40; SSC (1998), p. 82; own calculations

Table B12: Labour Force Participation, Unemployment and Education

	total	in labour-force			outside labour force
		sub-total	employed	unemployed	
By education level					
Illiterate	100.0 %	11.3 %	9.7 %	1.6 %	60.9 %
Less than secondary	100.0 %	36.4 %	30.6 %	5.8 %	63.6 %
Secondary	100.0 %	35.4 %	30.9 %	4.5 %	64.6 %
Intermediate diploma	100.0 %	61.8 %	52.8 %	8.9 %	38.2 %
Bachelor or above	100.0 %	80.0 %	70.9 %	9.2 %	20.0 %
By gender					
Male	100 %	72 %	61 %	11 %	28 %
Female	100 %	15 %	11 %	4 %	85 %
By region					
Amman	100 %	44 %	N/A	N/A	56 %
Zarqa / Mafraq	100 %	45 %	N/A	N/A	55 %
Balqa / Madaba	100 %	47 %	N/A	N/A	53 %
Irbid	100 %	41 %	N/A	N/A	59 %
Jarash / Ajlun	100 %	42 %	N/A	N/A	58 %
South	100 %	48 %	N/A	N/A	52 %
Total	**100.0 %**	**39.1 %**	**33.5 %**	**5.6 %**	**60.9 %**

Source: DOS (2000b), Table 2 / 5; own calculations

Tables B13 – B14: Social Protection Spending

Table B13: Share of Public Social Spending on Total Government Spending					
(%)	**1980**	**1990**	**1993**	**1996**	**1999**
Subsidies	14.2	7.2	3.8	5.7	3.7
Government and military pensions	N/A	6.8	9.9	10.6	10.0
Social Security Corporation	0.3	0.3	0.3	0.3	0.3
Social assistance	0.1	0.1	0.7	0.4	0.5
Other transfers	2.8	3.6	2.5	2.3	2.4
Health (MOH only)	3.9	4.6	5.8	5.5	5.6
Health (RMS only)	2.9	2.3	2.0	N/A	N/A
Health (JUH only)	1.0	1.2	1.5	N/A	N/A
Education	17.8	16.2	N/A	16.5	N/A
Source: DOS (1999), p. 177; IBRD (1986), p. 42; IMF (1995), p. 112					

Table B14: Weight of Jordan's Social Protection Systems as a Share of GDP Spending			
	inter-temporal re-distribution	**inter-personal re-distribution**	**inter-regional re-distribution**
Solidarity networks[a]:	...	transfers: 0.6 %	remittances: 1.5 %
Co-operative associations[b]:	mutual insurance: ...	ROSCAs: N/A	
NGOs[c]:	social credits: 0.1 %	social welfare and health: 0.1 %	social welfare and health: 0.1 %
UNRWA[d]:	...		social welfare: 0.2 % health: 0.2 %
State[e]	social insurance: – SSC (contributions) 3.9 % – CPP and MPP (contributions and subsidy) 4.6 %	social assistance: 1.5 % subsidies: 0.1 % health: 2.8 %	
Market[f]	saving: N/A credits: ~ 13.0 % insurance: 1.1 %		

Source:
a IBRD (1999d), pp. 33 - 34;
c Brandsma / Chaouali (2000), p. 21; Hermann (2000), pp. 61 and 109.
d UN (1999); S. 47; own calculation
e CPP (1999); MOF (2001); SSC (1999); Shteiwi (1999b); own calculation
f Banks et al. (2000)

Tables B15 – B16: The Health Sector

Table B15: Health Sector Components 1998 / 1999

Item	source	MOH	RMS	JUH	UNRWA	private	total
a) Spending							
Spending (Mio. JD)	E	106.8	48.8	11.3	7.5	198.8	375.0 (7.5%/ GDP)
	F	150.7	70.0	27.9	7.5	183.5	**454.0** (9.1%/ GDP)
Share of spending							
- for curative care	F	51 %	63 %	91 %	N/A	N/A	58 %
- for primary care	F	34 %	21 %	0 %	N/A	N/A	27 %
- administration	F	2 %	11 %	9 %	N/A	N/A	5 %
- for training	F	2 %	5 %	0 %	N/A	N/A	3 %
Share of spending							
- for salaries	F	47 %	36 %	42 %	N/A	N/A	N/A
- drugs & supplies	F	24 %	35 %	38 %	N/A	N/A	N/A
- food & cleaning	F	5 %	6 %	2 %	N/A	N/A	N/A
- treatment	F	7 %	6 %	3 %	N/A	N/A	N/A
- training	F	1 %	2 %	0 %	N/A	N/A	N/A
- maintenance	F	7 %	5 %	2 %	N/A	N/A	N/A
- equipment	F	2 %	4 %	3 %	N/A	N/A	N/A
- construction	F	6 %	4 %	4 %	N/A	N/A	N/A
- other	F	2 %	2 %	4 %	N/A	N/A	N/A
b) Financing							
Sources of financing	A	80% gov't; 6% CIP; 14% fees	85% gov't; 9% MIP 6% fees	60% gov't; 40% fees	Foreign donors	20% private insurance primes; 80% fees	62% hh (14% prime; 48% fees) 36% gov't; 2% donors
	B	N/A	N/A	N/A	N/A	N/A	42% hh; 39% gov't; 19% primes
	F	68% gov't; 16% CIP primes; 16% donors	80% gov't; 11% fees; 3% firms; 1% donors	73% gov't 11% firms; 12% hh; 4% donors	100% donor	78% fees; 20% firms; 2% gov't;	43% hh; 42% gov't; 8% firms[h]; 7% donors;

Table B15 continued (Health Sector Components 1998 / 1999)							
c) Beneficiaries							
Item	**source**	**MOH**	**RMS**	**JUH**	**UNRWA**	**private**	**total**
Population groups treated for free	E	blood donors, uninsured poor & disabled (6%/ users) public employees & their dependants (48% of users)	members of armed forces and their dependants	students, university employees	registered Palestine refugees (1.5 million)	private insured (higher middle and upper class private sector employed)	
Share of total population treated for free	F	21 %	33 %	1 %	18 %	8 %	68 %
	C	23 %	25 %	1 %	5 %	5 %	55 %
	B	23 %	35 %	1 %	9 %	12 %	80 %
	A	27 %	24 %		21 %	6 %	78 %
% insured	A	21 %	24 %	1 %	18 %	5 %	68 %
	G						50 % (without UNRWA)
% other	A	6 %			3 %	1 %	10 %
Average annual premium of insured	G	ca. JD 40	JD 9 – 18	N/A	0	JD 650 (full coverage) JD 90 (limited coverage)	N/A
Population groups treated for pay	F	patients able to pay fees, but highly subsidised primary & curative care (46% of users)	referrals from MOH and JUH	referrals from MOH and RMS	none	patients willing to pay fees referrals from MOH & UNRWA	
Share of population treated for pay	A	6 %	-	-	-	14 %	22 %
% 1 – 3 JD/ consultation		4 %	-	-	-	6 %	12 %
% 4 – 5 JD/ consultation		1 %	-	-	-	4 %	5 %
% over 5 JD/ consultation		1 %	-	-	-	4 %	5 %

Table B15 continued (Health Sector Components 1998 / 1999)

d) Quality

Item	**source**	**MOH**	**RMS**	**JUH**	**UNRWA**	**private**	**total**
Preference of users for providers	F	52.8 %			2.7 %	39.0 %	100 %
% insured	F	70.4 %			1.7 %	27.3 %	100 %
% non-insured	F	37.8 %			4.0 %	53.5 %	100 %
% less than 900 JD [j]	F	60.5 %			4.5 %	30.5 %	100 %
% 1450-1800 JD [j]	F	62.6 %			2.8 %	32.5 %	100 %
% 2900 - 3600 JD [j]	F	54.5 %			0.7 %	44.0 %	100 %
% over 3600 JD [j]	F	60.3 %			0.7 %	37.5 %	100 %
Number of hospitals	E/F	23	10	1	0	50	84
Number of hospital beds	E	3207	1787	506	0	2535	8035
	F	3192	1828	494	0	2852	8366
Share of beds	F	38 %	22 %	6 %	-	34 %	100 %
Occupancy rate	E	68.5 %	68.9 %	70.0 %	-	52.1 %	63.3 %
	F	69.7 %	69.9 %	67.0 %	-	45.0 %	60.1 %
Average length of stay (days)	E	3.5	4.4	4.8	(4.0)[d]	2.7	3.5
	F	3.3	4.6	5.0	-	2.6	3.4
Share of admissions	F	43 %	19 %	4 %	-	34 %	100 %
Number of admissions	F	234504	102711	22376	-	180271	539862
Public cost per admission (JD)	F	373	510	1141	-	0	460
Death rate	F	1.2 %	2.2 %	2.4 %	-	0.8 %	1.3 %
Clinics	F	223	5	0	0	N/A	N/A
Health stations & centres	E	1050	81	0	23	0	1154
	F	1180	81	0	23	0	1284
Physicians	E	32%	12%	4 %	N/A	52 %	100%
Dentists	E	N/A	N/A	N/A	N/A	77 %	100%
Nurses	E	40%	18%	7 %	N/A	41 %	100%
Pharmacies	E	8%			N/A	92 %	1470

h public firms: Potash Co.; *Jordan Refinery Oil and Petroleum Co.; Jordan Phosphate Co.; Royal Jordanian Airlines; Central Bank of Jordan*. Some firms have in-house facilities, most have contractual agreements with JUH or/ and RMS.

j annual household income

Table B15 continued (Health Sector Components 1998 / 1999)
Sources:
A (1998): Banks / Milburn / Sabri (1999), p. xi
B (1994): IBRD (1995), p. 17
C (1996): Hanssen-Bauer/ Pedersen/ Tiltnes (1998), pp. 189ff.
D (1998): UN (1999), p. 44. In-patient treatment through other providers only, financed through reimbursement.
E (1998): Hijazi / Al-Ma'aitah (2000), pp. 105ff.
F (1999): Brosk et al. (2000)
G (1996): CSS (1996b), pp. 110 - 115

Table B16: Average Pay per Consultation for Non-insured Households by Income 1999				
Average Pay per Consultation	**Annual household income**			
	up to JD 1450	**JD 1451-2900**	**over JD 2900**	**total**
Free	18%	12%	5%	12%
JD 1 - 10	55%	59%	52%	55%
More than JD 10	27%	29%	44%	33%
Average	100%	100%	100%	100%
Share on total group of non-insured	**32%**	**40%**	**28%**	**100%**
Source: Banks/ Milburn/ Sabri (1999), p. xii				

Tables B17 – B22: Social Insurance

Table B17: The Three Social Insurance Schemes in Jordan 1997			
	Social Security Corporation	***Civil Insurance Program***	***Military Insurance Programme***
Judicial base	law 30.1978	law 104.1965	N/A
Covered population group	public and private sector employees (firms with 5 or more employees	active and retired civil servants & their dependants	armed forces public security intelligence service
Number of covered employees	410137[a]	127019 (*2000)*	N/A
Number of contributors	336021	112560 (*2000)*	N/A
Coverage (share of insured on total population):	26.4%	pensions: 8.8 % health: 19.6 %	ca. 23%
Coverage (share of contributors on labour force)	30.4%	pensions: 10.2 % health: ca. 20 %	ca. 30 %

Table B17 continued (The Three Social Insurance Schemes in Jordan 1997)			
	Social Security Corporation	***Civil Insurance Program***	***Military Insurance Programme***
Covered risks	old-age, survivor & disablement pensions; occupational injuries and diseases	old-age, survivor & disablement pensions; occupational injuries and diseases Health care	old-age, survivor & disablement pensions; occupational injuries and diseases Health care
Contribution rate (employee's share)	5.0 %	pensions: 8.75 % of "basic salary" (in average 40% of total salary) health.: 3.00 % of "basic salary" (max. 30 JD p.m.)	pensions: 8.75 % of "basic salary" (in average 40% of total salary) health: 1.5 JD p.m.
Contribution rate (employer's share)	10.0 %	state covers rest (80% of total costs)	state covers rest
Average total contribution of employee (JD per annum)	32.4	11.6 (pensions)	N/A
Average taxable income (JD per annum)	216.0	N/A	N/A
Average number of contributing years		~ 22 years	~ 17 years
Number of old-age pensioners	18947	28192 (2000)	90054 (2000)
Total number of pensioners	39759	42148 (2000)	149476 (2000)
Technical dependency ratio a) Old-age pensioners/ contributors b) Pensioners/ contributors	 5.64 % 11.83 %	 25.05 % 37.44 %	N/A
Total spending for benefits (JD million)	N/A	71.1 (2000)	184.7 (2000)
Average annual old-age pension (JD)	1000	2232 (2000)	1787.5 (2000)
Average of all pensions per annum (JD)	N/A	1686 (2000)	1236.0 (2000)
Ratio of average old-age pension to average contribution	30.86 %	192.41 %	N/A
Ratio of total benefits paid to total collected contributions	45.4 %	206.5 %	N/A
Source: SSC (1998), pp. 83, 89, 112, 125; DOS (1999), p. 28; Dr. Umar Umari, Civil Insurance Programme, Ministry of Health, 26 February 2001			

Table B18: Coverage of Population by *Social Security Corporation* by Age Group 1999				
(%)	non-Jordanian		Jordanian	
	female	male	female	male
< 25	17.0	15.5	20.9	20.2
25 - 29	21.4	27.7	30.9	21.4
30 - 34	17.0	22.2	21.7	16.8
35 - 39	15.2	13.4	12.2	13.4
40 - 44	12.8	8.8	7.1	10.2
45 - 49	9.6	6.4	4.0	7.2
50 - 54	5.5	3.8	2.9	5.8
55 - 59	1.5	2.3	0.3	5.2
Total	100.0	100.0	100.0	100.0
Source: DOS (1999), p. 156				

Table B19: Social Insurance Indicators 1995 – Comparison with Other World Regions				
(%)	**coverage:** ratio of contributors to total labour-force	**technical dependency ratio:** ratio of pensioners to contributors	**old-age pension coverage:** ratio of old-age pensioners to population aged 60 and more	**demographic dependency ratio:** ratio of population aged 60 and more to working age population
OECD	93.9	39.2	84.1	34.0
Latin-America	38.3	21.0	30.8	18.0
Asia	23.5	11.4	22.3	13.5
Africa	6.4	8.5	24.0	12.5
MENA	41.3	27.5	57.5	13.5
Egypt	ca. 45.0	37.7	34.3	14.4
Jordan	26.1	11.8	9.5	12.0[a]
Source: Jordan: SSC (1998), p. 83; [a]DOS (2000b), Table 1 / 1; own calculations Egypt, MENA and other regions: IBRD (1997a), vol. III, p. 52				

Table B20: Balance of Jordan's *Social Security Corporation*			
(JD thousands)	**1997**	**1998**	**1999**
Contributions	**+ 118919**	**+ 126577**	**+ 142624**
% for pension insurance component	*105185*	*111979*	*126387*
% for work-injury insurance component	*12883*	*13698*	*15392*
% transfers from other insurance schemes	*850*	*900*	*844*
Return on investment	+ 74758	+ 49063	+ 90194
Benefits	**- 50179**	**- 57496**	**- 66565**
% work injury benefits	*13779*	*16136*	*18226*
% old age pensions	*18957*	*23444*	*29680*
% survivor pensions (natural death)	*4445*	*4625*	*5243*
% survivor pensions (work injury)	*867*	*2795*	*3041*
% medical treatment of work-injuries	*863*	*982*	*1169*
% sick leave pay (work injury)	*483*	*545*	*575*
% lump-sum compensations	*8185*	*7919*	*7568*
% other	*888*	*1050*	*1063*
General and administrative expenses	**- 6037**	**- 6367**	**- 7341**
% wages & SSC contributions	*4567*	*4810*	*4563*
Adjustments	**- 1310**	**- 17123**	**- 23383**
Net surplus	**136107**	**109554**	**151811**
Plus provisions	+ 7269	+ 33569	+ 11051
Plus advances from government	+ 7271	+ 49835	+ 58014
Gross surplus	**150647**	**192959**	**220876**
Gross investment	**150647**	**192959**	**220876**
% Deposits at banks	*92213*	*130027*	*158877*
% Government bonds	*30000*	*41931*	*3200*
% Equity shares	*29564*	*15503*	*43912*
% Investment in real estate	*251*	*120*	*2086*
% Loans	*42009*	*0*	*0*
% Other investment	*14915*	*5370*	*12801*
Benefit/ contribution ratio	42.2%	45.4%	46.7%
Benefit/ contribution ratio (only pensions)	43.1%	46.5%	48.0%
Benefit/ contribution ratio (work injuries)	17.2%	31.6%	31.1%
Cost/ contribution ratio	47.3%	50.5%	51.8%
Surplus/ income	70.3%	62.4%	65.2%
Expenditure/ GDP	1.01%	1.11%	1.26%
Reserves/ GDP	20.0%	21.9%	24.0%
Source: SSC (1998), pp. 112 ff.; SSC (1999), Table 9 and appendix; own calculation			

Table B21: Balance of the *Social Security Corporation* – International Comparison for 1996				
Region	**expenses** (% of GDP)	**income** (% of GDP)	**surplus** (% of GDP)	**surplus** (% of income)
OECD	9.2	9.1	-0.1	-1.1
Latin-America	2.0	2.4	0.4	16.7
Eastern Europe	8.0	7.9	-0.1	-1.3
Africa	0.5	0.7	0.2	28.6
Asia	1.9	5.2	3.3	63.5
MENA	2.8	4.4	1.6	36.4
Egypt	2.5	7.7	5.2	67.5
Jordan	1.4	3.9	2.5	64.1
Source: Jordan: SSC (1998), p. 112; own calculation Other countries: IBRD (1997a), vol. III, p. 52				

Table B22: Assets of the *Social Security Corporation*						
(JD million)	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**
Cash on hand and at banks	0.7	0.6	0.8	0.9	5.5	11.2
Deposits at banks and other financial institutions	336.2	385.6	446.8	476.1	599.5	751.4
Development and corporate bonds	33.6	38.9	39.4	32.7	74.6	64.8
Equity securities	92.5	117.0	134.5	161.2	148.4	205.4
% not listed on Amman Stock Exchange				*18.3*	*22.2*	
Loans	140.0	150.4	180.5	252.4	204.5	166.5
% to government				*232.2*	*190.9*	
Subscribers receivables	18.2	18.1	19.5	20.8	42.2	46.3
Fixed assets (net)	32.3	33.9	33.9	35.7	3.7	2.2
Other assets	33.5	48.4	53.5	66.9	109.2	113.2
Total assets = liabilities	**687.0**	**792.9**	**908.9**	**1046.9**	**1187.6**	**1361.0**
Net assets (beginning of the year)	583.2	668.2	771.2	887.3	1023.6	1132.9
Net revenue for the year	85.0	102.9	116.2	136.1	109.5	171.8
% net investment income				*74.8*	*49.1*	
Accounts payable	0.7	0.8	0.6	0.3	4.5	2.9
Other liabilities	18.1	21.0	20.9	22.9	50.0	53.4
Source: CBJ (1998), p. 145; CBJ (1999), p. 90; SSC (1998), pp. 119 - 120; own calculation						

Table B23: Social Loan and Micro-credit Programmes 1998												
Institution	Financing volume (JD)	Number of new loans	Employment opportunities generated	Average project size (JD)	Share of female borrowers (%)	Maximum loan size (JD)	Max. time of repayment (years)	Additional permitted time (years)	Min. equity capital of borrower in project (%)	Liabilities required	Interest rate (%)	Offices outside Amman
DEF	2,587,525	834	1,483	3,103	22	10,000	6	1	0	check	9	0
NAF	2,066,468	909	1,364	2,273	0	4,000	10	1/3	0	2 guarantors	0	24
Industrial Development Bank	727,530	100	150	7,275	25	10,000	7	½	0	2 guarantors	9	2
Agricultural Credit Corporation	14,367,057	5,291	5751	2,715	7	---	15	5	10 - 20	2 guarantors	6 - 8.5	18
HUDC	9,800	10	10	980	23	1,500	3	1/4	15	2 guarantors	7	1
The Orphan's Corporation	1,011,600	371	371	2,725	5	10,000	7	1	50	2 guarantors	flat: 8,5	11
SUB-TOTAL	20,768,980	7,515	9,029	2,764	9	---	---	---	---	---	---	---
UNRWA	0	0	0	--	--	7,000	4	1/4	10 – 20	2 guarantors	12	2
Save the Children	N/A	N/A	N/A	N/A	N/A	300	1/3	0	0	group loan	flat: 24	3
Near East Foundation	150,000	150	160	1,000	28	1,500	3	1/6	0	group loan	12	0
Coop. Society for Development	N/A	N/A	N/A	N/A	N/A	150	3	0	0	2 guarantors	9	4
CARE International	37,000	50	50	540	21	1,000	2	1/6	0	group loan	10	0
Coop. Housing Foundation	801,500	2,083	2,083	375	61	N/A	4	0	0	2 guarantors	16	0
SUB-TOTAL	978,500	2,283	2,293	429	28	---	---	---	---	---	---	---
Noor Al-Hussein Foundation	106,493	172	172	619	34	1,000	3	1/2	0	1 guarantors	flat: 5	11
JOHUD	505,040	172	258	2,936	14	6,000	6	1/2	10	2 guarantors	7.5	46
GUVS	387,521	278	417	1,394	45	1,000	2	1/6	0	1 guarantors	flat: 7.5	471
Jordanian Women's Development Society	1,387,175	11,846	11,846	117	100	450	1/3	0	0	group loan	flat: 24	0
Jordan Micro-Credit Company	0	0	0	0	0	650	1/2	0	different	1 guarantors	flat: 21.6	2
SUB-TOTAL	2,386,229	12,468	12,693	191	96	---	---	---	---	---	---	---
TOTAL	**22,798,209**	**19,779**	**21,341**	**1,153**	**67**	**---**	**---**	**---**	**---**	**---**	**---**	**---**

Source: DEF (1999a), pp. 56ff.

Tables B24 – B28: Public and NGO Social Welfare Programmes

Table B24: Social Transfer Programmes 1996

Programme	total spending per year (JD '000)	number of beneficiaries	assistance per beneficiary and annum (JD)	assistance spending as % of GDP
NAF	13,500	44,000	307	0.29%
Zakat Fund and *zakat* committees	2,100	5,600	375	0.04%
UNRWA	3,300	40,000	83	0.07%
GUVS	2,000	12,000	167	0.04%
Queen Alia Fund (now JOHUD)	300	5,500	54	0.01%
Total social assistance	**21,200**	**107,100**	**268**	**0.46%**

Source: IBRD (1999d), p. 34; Noor al-Hussein Foundation (2000), Shteiwi (1999a); Shteiwi (1999b), pp. 283ff.; UN (1999), pp. 44 - 45; own calculation

Table B25: Social Assistance and Welfare Institutions 1996

Public institutions	quasi-public institutions	private non-governmental institutions	international institutions
Ministry of Social Development (MOSD) *National Aid Fund* (NAF) *Development and Employment Fund* (DEF) *Zakat Fund* and affiliated *zakat* committees *Ministry of Health* (MOH) *Ministry of Education* (MOE) *Ministry of Food* *Ministry of Finance* (MOF)	*Queen Aliah Fund* (now: JOHUD) *Noor al-Hussein Foundation* *National Council for the Care for the Disabled* *National Works Agency for Children*	*General Union of Voluntary Societies* (GUVS): 721 members 189 charitable societies registered with the MOSD 25 Islamic and foreign societies under the auspices of the MOSD	UNDP and other UN agencies UNRWA branches of foreign voluntary service agencies

Source: Shteiwi (1999b), p. 282

Table B26: Estimated Financial Budget of Voluntary Societies in Jordan (1995)				
(thousand US$)	**revenue**	**estimated foreign contribution**	**estimated local donor contribution**	**estimated government contribution**
GUVS and its member-NGOs	17,077	0,517	5,940	5,895
Queen Aliah Fund (now JOHUD)	7,100	6,033	N/A	1,070
Noor al-Hussein-Foundation	2,800	2,711	N/A	70
Zakat Fund and affiliated *zakat* committees	2,285	0	2,285	0
Independent *zakat* committees	5,365	0,500	4,865	0
Foreign and international NGOs	1,600	1,600	0	0
Other NGOs	1,000	N/A	N/A	N/A
Total	**37,227**	**11,361**	**13,090**	**7,051**
Source: El-Khatib (1996), Tables 7 – 10				

Table B27: Major Areas of Spending of Voluntary Societies in Jordan (1995)		
	spending (thousand US$)	**share on total spending (%)**
Health care and family planning	8,437	22.8
Education and culture (including schools, kindergartens, baby nursing, cultural lectures)	6,216	16.7
Social services	5,361	14.4
Care for the disabled	5,065	13.7
Community development	4,275	11.7
Social assistance (cash and in-kind)	4,267	11.6
Income generation projects	1,520	4.2
Rehabilitation and vocational training	1,430	3.7
Awareness and advocacy programmes	0,317	0.9
Total	**37,227**	**100.0**
Source: El-Khatib (1996), Table 11		

Table B28: Social Activities of GUVS Member-NGOs 1999				
	number of societies active in the field	number of beneficiaries	number of employees	number of institutions
Child nurseries	67	1,317	127	118 homes
Kindergartens	321	25,727	1,026	953 kindergartens
Schools	25	24,929	N/A	49 schools
Higher education student loans	69	1,547	N/A	(average grant: 26.936 JD)
Health clinics and health centres	129	552,115	252	3 hospitals, 77 general clinics, 67 specialised clinics, 2 pharmacies, 15 laboratories
Orphanage homes	24	933	N/A	13 homes
Old-age homes	2	82	N/A	2 homes
Disabled rehabilitation	808	14,936	N/A	45 centres; 3 schools
Credit fund projects	46	1,144	N/A	(total lending: 599,565 JD)
Financial and in-kind assistance	375[a]	44,359[a]	N/A	
Adult education	15[a]	211[a]	N/A	
Libraries	60[a]	765[a]	N/A	

[a] data for 1996

Source: GUVS (1996); update by Dr. Arafat Al Tamemi, GUVS, 24 February 2001

Tables B29 – B32: The Private Financial Sector: Stocks, Bank Loans and Insurance

Table B29: Amman Stock Exchange Indicators

	1990	1992	1994	1996	1998	1999
Number of registered stocks	N/A	N/A	150	N/A	N/A	N/A
Millions of shares traded	134	345	134	101	155	177
Volume of shares traded (JD million)	266	878	430	211	414	343
% bought by Non-Jordanians	*N/A*	*N/A*	*N/A*	*N/A*	*111*	*94*
% sold by Non-Jordanians	*N/A*	*N/A*	*N/A*	*N/A*	*81*	*79*
Index of traded shares (1991=100)	80.4	129.9	143.5	148.0	N/A	N/A
Market capitalisation (JD million)	N/A	N/A	N/A	N/A	3782	N/A
Market capitalisation (Share on GDP)	N/A	N/A	N/A	N/A	62.7 %	N/A

Source: 1990 - 94: IMF (1997), p. 26; 1996 - 1999: CBJ (1999), p. 93; Gillion et al. (2000), Table A.15

Table B30: Loans Provided by Jordan's Commercial Banks (including *The Housing Bank*)

(JD million)	1990	1992	1994	1996	1998	2000
Agriculture	53.7	54.4	75.5	84.7	115.3	119.6
Mining and quarrying	12.3	20.0	51.7	88.3	85.9	84.3
Industry	224.6	265.8	419.9	501.9	615.9	660.0
Trade	407.8	525.1	798.6	970.4	1104.7	1131.1
Construction	422.7	463.2	687.0	782.9	791.4	759.7
Transportation	45.5	54.0	198.3	782.9	223.6	197.2
Tourism	33.3	37.3	38.1	58.3	108.7	135.3
Private households	288.5	375.3	---	---	---	---
Stocks	71.1	90.8	---	---	---	---
Financial services	---	---	175.3	163.5	161.2	178.6
Public services and infrastructure	---	---	150.5	211.7	223.0	232.6
Other	110.8	160.8	653.5	800.1	855.6	950.4
Total	**1670.3**	**2046.7**	**3248.4**	**3938.8**	**4285.3**	**4448.8**

N B.: The CBJ introduced a new classification of bank loans as of 1993.

Source:

1990 - 1996: IMF (1997), p. 25

1998 - 2000: CBJ (2000), p. 25

Table B31: De-composition of Jordan's Commercial Insurance Sector

(JD million)	1995		1997		1999		
	premiums	**claims**	**premiums**	**claims**	**premiums**	**claims**	**net profit**
Maritime	12.0	4.0	9.3	3.2	7.1	2.3	1.4
Fire	11.6	7.3	10.7	5.5	10.3	3.2	0.8
Motor vehicle	34.2	20.6	38.4	32.1	43.6	35.1	- 0.4
Accidents	8.4	2.7	8.0	2.6	7.6	3.4	0.4
Life	15.3	5.5	18.7	10.4	14.8	4.4	1.3
Medical					14.8	14.0	- 0.4
Total	**81.5**	**40.1**	**85.1**	**53.8**	**98.2**	**62.4**	**3.1**

N B.: Health insurance was reported under life-insurance until 1997, as it used to be coupled with life-insurance.

Source: CBJ (1999), p. 92; Insurance Regulatory Commission (2000)

Table B32: Major Indicators of Jordan's Insurance Sector

	1995	**1996**	**1997**	**1998**	**1999**
Number of companies	18	24	24	27	27
Value of shares trades (JD million)	7.4	3.1	4.5	5.1	N/A
Number of shares traded (million)	2.5	1.1	1.9	2.7	N/A
Number of employees	1348	1632	1592	1590	N/A
Gross output (JD million)	44.9	44.6	39.9	47.7	N/A
Value added (JD million)	36.5	35.4	29.4	36.0	N/A
Operating surplus (JD million)	28.8	25.3	18.1	23.2	N/A
Gross fixed capital formation (JD million)	2.2	3.2	1.9	2.0	N/A
Total premiums collected (JD million)	81.5	89.7	90.2	99.6	99.8
Total claims (JD million)	40.1	48.0	53.6	56.0	64.0

Source: CBJ (1999), p. 93; DOS (1999), p. 173; Insurance Regulatory Commission (2000)

Tables B33 – B34: Development Co-operation

Table B33: Official Development Assistance (ODA) to Jordan

(US$ million)	**1992**	**1996**
Bilateral assistance	216	536
% USA	*124*	*78*
% Germany	*50*	*68*
% Japan	*132*	*182*
Multilateral	186	316
% World Bank	*73*	*129*
% EU	*57*	*113*
% UNRWA	*63*	*65*
% Arab institutions	*-19*	*n.a.*
Total	402	852
% transfers	*235*	*318*
% credits	*167*	*534*

Source: EIU (1999); MOP (2000a); MOP (2000b)

Table B34: German-Jordanian Development Co-operation 1999

(DM million)	**financial co-operation**		**technical co-operation**	**total**
	loans	**grants**		
Water sector	321	3	52	**376**
Small and medium enterprises	0	8	0	**8**
Poverty-oriented infrastructure projects in urban areas	0	20	3	**23**
Sectoral adjustment agriculture	10	0	18	**28**
Promotion of women-NGOs	0	0	3	**3**
Administrative reforms	0	0	58	**58**
Environmental protection	0	0	29	**29**
Other	0	6	15	**21**
Total	**331**	**37**	**138**	**506**

Source: MOP (2000a); MOP (2000b)