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~~India~~  
Dennison

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

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PROJECT PAPER  
664-HG-004

TUNISIA - NATIONAL LOW COST SHELTER PROGRAMS

August, 1979

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10. ESTIMATED COSTS \$500 OR EQUIVALENT \$1.00 = 0.417 TD						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FR	C. LC	D. TOTAL	E. FY	F. LC	G. TOTAL
Housing Guaranty	12,500		12,500	50,000		50,000
Down Payments		1,900	1,900		5,600	5,600
GOT Participation		550	550		1,900	1,900
Community Facilities		5,450	5,540		30,400	30,400
Totals	12,500	7,900	20,400	50,000	37,900	87,900

11. PROPOSED BUDGET APPROPRIATED FUNDS \$5000										
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH CODE	E. 1ST FY <u>80</u>		H. 2ND FY <u>81</u>		K. 3RD FY <u>82</u>			
			C. GRANT	D. HG	F. GRANT	G. HG	I. GRANT	J. HG	L. GRANT	M. HG
(1) ST	720		0	860	0	12,500		12,500		12,500
(2)										
(3) HG FUNDS ARE NOT APPROPRIATED			DO NOT ADD							
(4)										
TOTALS					12,500		12,500			12,500

A. APPROPRIATION	N. 4TH FY <u>83</u>	O. 5TH FY	LIFE OF PROJECT				12. IN MONTHS OF OPERATION SCHEDULE
	O. GRANT	P. HG	W. GRANT	T. GRANT	U. GRANT	V. HG	
(1) ST		12,500			0	50,000	<input type="checkbox"/> 0 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 1
(2)							
(3)							
(4) TOTALS		12,500			0	50,000	

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## ABBREVIATIONS

BDET	Banque pour le Développement Economique de la Tunisie
CNEL	la Caisse Nationale d' Epargne - Logement (National Savings and Loan Bank)
CPSCL	la Caisse de Prêts et de Soutien pour les Collectivités Locales (Fund to Support Local Communities)
CTRD	Central Tunisia Rural Development Project
DCPL	Direction des Collectivités Publiques Locales (National Directorate for Local Communities)
DS/H	Office of Housing, Development Support Bureau, A.I.D.
FOPRODI	Fonds pour la Promotion du Développement Industriel (Fund for the Expansion of Industrial Development)
HI	Home Improvements
IA	Implementation Agreement
IIPUP	Integrated Improvement Program for the Urban Poor
INS	Institut National de Statistiques (National Bureau of Statistics)
ONAS	Office National d'Assainissement (National Sewerage Authority)
OTTEFP	Office des Travailleurs Tunisiens à l'Etranger de l'Emploi et de Formation Professionnelle (National Employment Office)
PCV	Peace Corps Volunteer
RHUDO/Tunis	Office of Housing, Regional Office for the Near East
SIDA	Swedish International Development Agency
SONEDE	Société Nationale d'Exploitation et de Distribution des Eaux (National Water Company)
SNIT	Société Nationale Immobilière de Tunisie (National Real Estate Company)
S/S	Sites and Services
SSA	Shelter Sector Assessment
STEG	Société Tunisienne de l'Electricite et du Gaz (National Electric and Gas Company)

## CURRENCY UNIT: Tunisian Dinar (TD)

The exchange rate of the Tunisian Dinar (TD) is floating. The rate used in the Project Paper is:

US Dollar 1.00	-	TD .417
Tunisian Dinar 1.000	-	US Dollar 2.40

## MEASUREMENTS

1 square meter	-	10.76 square feet
1 kilometer	-	0.62 miles
1 Hectare	-	2.47 acres

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## PART 1. RECOMMENDATIONS AND BRIEF PROJECT DESCRIPTION

### A. Recommendations

A request for assistance from the Government of Tunisia (attached as Annex M) and an update of the Shelter Sector Assessment (SSA) completed in January, 1979 by the Office of Housing form the basis for the HG proposal described in this Project Paper. Based upon review of the proposal set forth, it is recommended that the subject Project be approved as follows:

#### 1. Amount of Guaranty:

\$25.0 million for first tranche activities with a second guaranty possibly in FY'81 for \$25.0 million based on continued GOT improvement in meeting the shelter needs of the poor in a replicable fashion. RHUDO/Tunis would submit [REDACTED] requesting authorization of the second tranche pursuant to a review of GOT's progress in the sector.

*an action memorandum*

#### 2. Term

The \$25.0 million loan will be for a term of up to 30 years with a grace period of the payment of principal (maximum 10 years) to be negotiated with the lender. Other conditions pertaining to the loan are found in Annexes N and O.

#### 3. One Guaranty Authorization: Two Borrowers with Separate Contracts

It is recommended that the GOT [REDACTED] negotiate a loan for upgrading implementation separate from the remainder of first tranche activities. This double contract option will allow the GOT to proceed with other programs without imposing an upgrading disbursement schedule prior to more detailed studies.

#### 4. Position of the USAID Mission to Tunisia

USAIS/Tunisia has reviewed the [REDACTED] PP with RHUDO/Tunis and supports the project proposal. The project which is presented here conforms with policy guidance expressed in the Mission's Small Program Statement

### B. Country Background in the Housing Sector

Tunisia's total population of around 6 million is growing at a rate of about 2.4% per year. The average annual increase in urban centers is around 3% with Tunis continuing to show a somewhat higher rate. Most of the urban population is found in twenty centers varying in size from Tunis, by far the largest with a 1978 population of around 1,000,000, to Jendouba with a population of about 20,000. Rapid growth of Tunisia's urban areas has resulted in the usual symptoms such as

overcrowding of existing units, deficient infrastructure, and squatting with informal shelter solutions.

The GOT has faithfully adhered to its housing sector objectives as outlined in the Fifth Development Plan (1977-1981) while responding pragmatically to unforeseen events affecting this priority sector. Positive policy shifts have been noted:

1. Upgrading has been embraced as a viable alternative to bulldozing.

2. The GOT priority target group is the irregularly employed urban resident who will ~~participate in~~ <sup>newly defined</sup> government sponsored housing programs. Previously only households with salaried incomes were eligible for urban programs.

3. GOT has radically lowered its standards to make shelter affordable to their poorer target population. The GOT wishes to sponsor sites and services and is now considering ~~one-room core unit program~~ <sup>for the first time</sup>.

4. The GOT has agreed to raise interest rates for this program and to operate on a "free savings" basis for the project's target population.

There is much talk of less ~~interest rates~~ <sup>explain why is the good subsidies</sup> for the housing sector. Interest rates to sub-borrowers have been increased and subsidies reduced on some GOT programs. Broader policy changes are expected to result from deliberations leading up to the Sixth Plan.

*increasing  
national  
savings*

During the past five years the GOT has begun development or implementation of viable shelter programs for its major coastal centers: Menzel-Bourguiba, Bizerte, Tunis, Sousse, Sfax, and Gabes. All of these programs incorporate one or more of the positive policy shifts just described.

C. Remaining Constraints in the GOT Housing Sector

Five major areas need strengthening to make the housing sector more self-reliant and replicable for lower income beneficiaries. The GOT agrees that these are areas still needing attention and improvement.

1. Big City Emphasis

Large coastal towns have taken the lion's share of the shelter budget. Interior towns need a concerted shelter effort aimed at the urban poor.

2. Housing Finance Dependent on GOT Support

The SSA shows that interest rates applied to GOT-assisted housing programs are effectively negative. They do not reflect market

*resources toward a large number of people*

lending rates and run behind construction inflation. The GOT is required to subsidize its one savings and loan institution to meet administrative costs. Savings mobilization is thwarted by unattractive interest rates and rigid "contract" loan regulations.

3. Rigid Institutional Orientation

Despite a recent proliferation of Tunisian housing loan programs, none are designed exclusively to meet the needs of the below median urban resident, while still applying cost recovery financial terms.

The existing loan programs within the reach of the newly defined target population still require steady employment and waiting periods regardless of income.

4. High Construction Standards Reduce Affordability

Prevailing GOT attitudes about building standards (structural and spatial) are generally inconsistent with the low-income market's needs or affordability. Few solutions are being designed which are affordable to a broad range of urban residents. Typically families of modest income can move into "standard" housing thanks to subsidy programs. In short, the product is rarely designed with affordability in mind, and the number of families who benefit is limited accordingly.

5. Inadequate Private Market Incentives

One of the GOT's expressed goals is to reduce its intervention in the housing sector. However, recent revisions of construction finance procedures and real estate development rules seem inadequate to encourage private developers to build modest residential units. If the GOT is to reduce its high level of participation in the Sector (over 60% of  units  built under direct GOT control), the private developer will need to be introduced to the low-income market.

*↳ in the formal sector*

D. Brief Project Description

The Project calls for \$50 million in two tranches in order to support a shift in GOT policies to improve the formal shelter options for low income households in the small towns of Tunisia.

1. Small Interior Cities Emphasized

The project will provide low cost shelter solutions to interior towns as small as 2,000 in population.

2. Less Subsidization

The Project will demonstrate the feasibility of higher interest rates. Loan terms are the highest applicable for long term government-sponsored mortgages.

*< insert sentences from p. 14*

*check p. 14 up here.*

3. Institutional Flexibility

*may*

The Caisse Nationale d'Epargne - Logement (CNEL) will serve as the major borrower while the Caisse de Prêts et de Soutien les Collectivités Locales (CPSCL) will borrow for upgrading implementation activities. CNEL has agreed to establish an inter-ministerial protocol to operate the experimental programs. Free savings will be instituted for all project solutions. The beneficiary and borrower will set loan sizes according to debt servicing potential. Under this program, individual home improvement loans will be instituted in Tunisia *for the first time.*

4. Construction Standards and Affordability

The Project's solutions were designed after an agreement on the income levels which were to be served. Consequently, a range of five solutions has been established affordable to below median income households from the 40th to the 10th percentile. The GOT has proposed to promote the construction and sale of serviced lots (no construction whatsoever). This represents a quantum leap in the continuing dialogue on shelter solutions appropriate for the poor.

*This.*

The Project's core house cost will average about 2,500 D. ~~\_\_\_\_\_~~ indicates a real drop in standards since core housing built under HG-003 average about 3,000 D. ~~\_\_\_\_\_~~



5. Introduction of Private Developers

CNEL will solicit proposals from private developers who may *make comp.* ~~have proposal~~ for core housing construction projects along side the GOT's parastatal developer, SNIT. Not only will the Borrower become familiar with private developer management concerns, the experiment will provide valuable insights into quality control and relative efficiency.

The following table summarizes the Project's Estimated output and input apportionment among the five sub-projects. The input volume by tranche is indicative only. Actual apportionment for both tranche A and B will be determined pursuant to an effective demand study now being conducted by SNIT on a nation-wide basis. AID and the GOT agree to emphasize to the maximum extent feasible those sub-projects which will be affordable to the poorest beneficiaries.

TABLE 1

ESTIMATED 004 HG - PROGRAM APPORTIONMENT

Unit Output	Sub-Project	Borrowing Institution	Implementing Agency	Volume in \$ M		
				004A	004B	004
3,510	1. Core Housing Loans	CNEL	SNIT Private develop.	15.0	5.0	20.0
1,750	2. Sites and Service Loans	CNEL	SNIT	2.5	0	2.5
920	3. Construction Loans	CNEL	CNEL	2.5	2.5	5.0
1,350	4. Home Improvement Loans	CNEL	CNEL	2.5	2.5	5.0
8,710	5. Upgrading Loans	CNEL and CPSCL/GOT	DCPL	2.5	15.0	17.5
16,240	HG Project Cost			25.0	25.0	50.0
	<i>Beneficiary and GOT Financing</i>	Downpayments		3.8	1.8	5.6
		GOT Participation		1.1	0.8	1.9
		Community Facilities		10.9	19.5	30.4
		Total Project-Related Cost		40.8	47.1	87.9

In all, over 16,000 shelter-related solutions are expected affecting about 100,000 residents. Project outputs also include technical assistance activities: (1) assistance in home improvement and construction loan management plus savings mobilization schemes, (2) advisory assistance on passive solar heating and composter toilets, and (3) support for small town technical division staff.

CNEL will re-lend funds to the various implementing agencies or will directly handle project execution. The upgrading sub-project will be funded initially in this manner. Once a definitive upgrading sub-project delivery plan is approved the CPSCL or the GOT ~~will~~ seek a lender <sup>may dependently</sup> upgrading implementation.  
~~who will be able to provide disbursements appropriate to~~  
Repayments for core housing and construction loans will be made for 15 years with 6.0% interest. Home improvement loans will be granted for 10 years also with 6.0% interest. Loans to purchase a serviced lot will be made for a minimum period of 5 years at 6.0%. Loans to cover upgrading charges will be for 20 years at 6.5%. The GOT will assume the risk of the interest rate differential between the terms of the HG loan and the beneficiary loans.

#### E. Summary of Findings

The Project is the fourth housing guaranty made to Tunisia. It recognizes the progress made by the GOT in meeting the needs of lower income Tunisians and in taking steps towards more self-reliant housing finance systems. The thrust of the Project is directed largely at rural towns and secondary urban centers in the interior. Its program content is complementary to other donor activity in the sector. The loan terms proposed ~~indicate~~ indicate increased realism on the part of the GOT in trying to reach a lower income target group with minimal subsidies. There are many opportunities for the Borrower to broaden its own institutional development. The Project's lowering of standards will not only make solutions more affordable, it will also increase the poorest beneficiaries' access to land tenure - traditionally a major hurdle.

Technically, the project presents no serious architectural or engineering difficulties which cannot be resolved. It is well within the capacity of the Tunisian construction industry to carry out. The GOT and AID have agreed to manage the Project's site selection so as to minimize any likelihood of causing adverse environmental impacts.

It is not expected that any of the shelter options will cause significant social disruptions. A neighborhood social profile will be developed prior to upgrading implementation. A wide range of shelter options will be provided which will be affordable to most of the urban households with below median incomes. The provision of basic services and shelter will result in improved health conditions for all project beneficiaries. Access to land tenure and the financial and psychological security it provides should stimulate beneficiaries to maintain and improve their own properties.

0.2/10

Regarding the debt service ratio, a recent World Bank survey noted that Tunisia's ratio (11.4% in 1978) was considerably lower than the 19.3% average displayed by fellow countries at similar levels of economic development. Debt servicing for a \$25 million HG loan would increase the 1978 debt service level by ~~1.2%~~ from 11.4% of foreign exchange earnings to 11.6%. An International Monetary Fund study estimates that the Tunisian debt service ratio will not go beyond 20% by 1981. While Tunisian debt is growing, it must be viewed in light of the Government's strong commitment to fund its Fifth Development Plan. Taking into account international trade patterns and the GOT's investment program it is likely that Tunisia will have to resort increasingly to international financial markets for its required capital inflows. *Not impact of the HG would be to significantly improve the GOT's ability to resolve its shelter problems.*

On the basis of similar programs previously completed with AID assistance, DS/H has found that the participating GOT agencies have the administrative and managerial expertise to successfully execute the program.

Small town technical staff will be strengthened by providing training and technical orientations to squatter neighborhood upgrading. Physical survey techniques, coordination of the various parastatal agencies, and financial management will be emphasized in the training so that the upgrading sub-project will be effectively implemented in a timely fashion.

F. Probable Program Impact

Housing production in Tunisia averages 15,000 units per year though total annual housing requirements approximate 24,000 units. Excluding the value of down payments, the estimated national investment in housing is about 77 million dinars annually. If the \$50 million program disburses over a four-year period it will represent about 7% of the annual formal housing investment in the country *and almost [redacted] of all formal new production.*

→ Squatter settlements provide about a third of the total 500,000 housing units in Tunisia. About 9,000 squatter units are added to the housing stock annually. If the Project's actual apportionment is reflected in the estimates of Table 1, the upgrading program will improve perhaps 2% of the squatter households in the country.

*AID will continue to assist the GOT in a review of basic program areas: finance systems, standards, and new initiatives such as sites and services. The HG will assist the GOT in making further changes to move towards meeting the shelter needs of the poor with programs of a demonstration nature.*

PART II. TUNISIAN HOUSING SITUATION AND DETAILED PROJECT DESCRIPTION

A. Present Trends in the Housing Sector

1. Upgrading Acceptance

Though the Fifth Plan does not provide for slum upgrading activities the GOT with AID and IBRD support has made upgrading an operational government-sponsored endeavor. Wholesale bull-dozing has given way to funding requests for upgrading. The Interior Ministry is establishing a central unit to manage upgrading activities in several more sections of the country. Initial work has begun on plans for upgrading squatter areas in Bizerte, Sousse, and Gabès.

2. Target Group Reorientation towards the Unsalariated

In the early days of the Fifth Plan, rural residents were the only unsalaried category receiving formal shelter assistance from the GOT. The GOT has recently adopted the policy that the unsalaried urban population should be immediately addressed as its priority shelter target group. The GOT expects that the major funding to meet this need will have to come from foreign sources until the new policy can be translated into the Sixth Plan's financial program (1982-1986). This policy shift represents a considerable institutional adjustment for the GOT since savings mobilization and financially replicable programs have never been attempted before with an irregularly employed clientèle except in discrete upgrading locations.

3. Lower Standards Make Housing more Affordable

By officially defining its primary target population as the "non-salaried urban poor", the GOT has given its tacit approval to less than standard solutions. One-room core houses which were considered an experiment just two years ago have been marketed successfully. CNEP is now considering the financing of similar one-room units in Kasserine. The fact that the GOT is eager to test the market for serviced lots and self-help construction credits further attests to the GOT's pragmatic policy evolution. The decentralization of la Société Nationale Immobilière de Tunisie (SNIT) liberalization of building standards so as to conform better with local demands and affordability.

→ has facilitated  
4. Less Subsidization

Ministry of Plan representatives have expressed as a long range goal that the GOT should intervene less and less in the financing of the housing sector. Confirmation of the high savings propensity among lower income households is also leading the GOT to consider that the beneficiary assume more of the financial responsibility of shelter provision, though this preference has not yet been articulated as official policy.

B. Housing Sector Constraints and How the Project will Address Them

Rapid growth of Tunisia's urban areas has resulted in the usual difficulties such as overcrowding of existing units, deficient infrastructure, and squatting with informal shelter solutions. Rural areas and the urban fringes are spotted with "gourbis", traditional stone and thatch huts, which are sometimes unsafe and often unsanitary.

The GOT continues to be the principal promoter of housing and the demand continues strong, particularly from the lowest income families which are unable to afford even the least expensive solutions available to date. During the Fourth and Fifth Plan periods the GOT has subsidized rather heavily the low income market's purchase of minimum "standard" houses but recently has been experimenting with lower cost solutions which are more nearly affordable by the low income group. A 4.5% interest charged by CNEL to borrowers under the existing HG financed core house program, while not yet an economic rate, has also been a major change from the previous practice of interest free mortgages.

The GOT is very much aware of the cost of its Fifth Plan Housing Programs, in fact, the stated Fifth Plan policy is to reduce the GOT's budgetary intervention in the housing sector. Tunisian officials assess their housing programs for the salaried classes and rural residents as being rather effective. On the other hand, it is recognized that most Tunisians with below median incomes have not been served by existing programs. The GOT over the past two years has consequently shifted its priorities towards those groups which have not previously been able to participate in government-sponsored housing programs. This Project is designed to respond to this recognized need. ~~\_\_\_\_\_~~ *the GOT will*

*emphasize*

the irregularly employed who have never before been eligible for typical GOT programs. Further changes will be needed to reduce dwelling unit costs and to direct available financing towards even lower income markets.

Despite the considerable progress outlined above, several bottlenecks restrict the housing sector from meeting its full productive potential. Four key constraints and how the Project will address them are discussed below:

1. Finance

The SSA shows that interest rates applied to GOT-assisted housing programs are effectively negative. They do not reflect market clearing lending rates and run behind construction inflation. Consequently, the Government's contract savings system has proven too rigid for the lowest income saver since by the time enough is saved to merit a loan as agreed in the contract, inflation has priced the lowest income saver out of the market. Self-financing mechanisms should be established to decrease public budget reliance and eventually to expand the reach of low-income programs.

*the GOT will provide indirect subsidy*

The programs proposed for Project funding have limited direct subsidy elements. ~~\_\_\_\_\_~~

in covering the gap between the rate charged the beneficiary and the cost of funds to the GOT. Nevertheless, the increase in interest charges from 4.5% under the previous guaranty to 6.0% in the case of new construction and 6.5% for upgrading as pro-

posed for this Project do represent increasing economic realism on the part of the GOT. On the other hand, the stretching of terms from 10 years to 15 or 20 years and the decrease in down-payments from 1/3 to 15% or less show that the GOT is trying to reach a lower income target group.

The programs to be tested in interior towns do not require a burdensome contract savings period for eligibility. Thus, la Caisse Nationale d'Epargne-Logement will in effect be testing the market acceptability of a free savings approach to a broad range of shelter solutions. However, long-term self reliance in housing finance will require institutional reorientation and changes in savings and loan regulations. RHUO/Tunis will be reviewing the results of Sixth Plan deliberations. It is expected that new policies based more on replicable open market mechanisms will be put into effect during the VIth Plan. If *the policy* ~~\_\_\_\_\_~~ are implemented they would tend to provide more shelter with less government intervention.

*changes to be made in the program*

## 2. Institutional Orientation

Despite the proliferation of Tunisian housing loan programs there is no single one effectively specializing in meeting the needs of a below median income clientele. The existing loan programs within the reach of the low-income population require steady employment and waiting periods regardless of income. Since most of the lower income population can not meet this employment criterion, the GOT has analyzed its own institutional constraints in order to attract the non-salaried or irregularly employed into the formal savings and loan system.

Under the Project, the loan customer in consultation with CNEL representatives may determine the size of his commitment in the case of home improvement and self-help construction loans. Deposits will be taken without the guid pro quo of a "contracted loan, though savings mobilization will be encouraged with an eventual loan in mind. The borrowing institution will have to provide flexible, innovative repayment approaches such as graduated or cyclical repayments to reflect the irregular income flow of the target population.

In short, ~~\_\_\_\_\_~~ *(putatively Mex.)* experimental shifts *designed* to meet the needs of a ~~\_\_\_\_\_~~ high risk clientele *will* also hopefully better *serve* the salaried loan customer. CNEL will administer its share of the project following an inter-agency agreement executed at the ministerial level to allow it to operate the innovative HG-004 programs. This protocol will define the project financially and ~~\_\_\_\_\_~~ geographically. Agency duties and obligations will be outlined in the protocol. The new target focus combined with Project funding presents many opportunities for broad-based institutional development.

## 3. Construction Standards and Affordability

Present GOT attitudes about building standards (structural and spatial) are not consistent with the low-income market's needs or affordability. Not enough solutions are being designed

which are affordable to a broad range of urban residents. To reach this clientele the product delivered will have to be more modest, i.e. less habitable space and a reduced level of public utilities. RHJDC/Tunis and Equipment Ministry officials agreed that Project solutions should be designed specifically around an income distribution concept: create shelter options affordable to families in the small towns of Tunisia earning between 40 and 60 dinars per month in 1979.

Several designs for one room core units have been proposed costing on the average no more than 2,500 TD (\$6,000). These units should be affordable to the 40th percentile and up in small Tunisian towns.

The serviced lot averaging 500 TD (\$1,200) is expected to be affordable to the 25th percentile and up.

The self-help construction credit can be made ~~in any size~~ up to 1,700 D. (\$4,080). However, using the hypothesis that the average construction loan is for 1,100 TD (\$2,640), the 25th percentile and up could afford this program.

The average home improvement loan could be affordable to residents just below the 20th percentile if one assumes an average debt of 689 TD (\$1,632).

Upgrading on the average could be affordable to the 10th percentile and up based on one-fourth of monthly income towards repayment of a 656 D. (\$1,574) loan. Rental of new rooms in upgrading areas will benefit the poorest residents.

The above project outputs imply lower standards *and* they require greater beneficiary initiative and participation. The serviced lot which has no construction whatsoever implies a substantial change in GOT orientation regarding standards, and the acceptable "minimum".

#### 4. Private Market Incentives

One of the GOT's expressed goals is to reduce its own intervention in the housing sector. However, recent revisions of construction finance procedures and real estate development rules seem inadequate to encourage private developers to build modest priced homes below TD 5,000 (\$12,500).

This problem will be reviewed in the continuing dialogue about administrative controls, interest rate structure, and the housing finance system. However, to test the attractiveness of the core housing prototype ~~to the private developer, CNEL has agreed to have core units~~ *proposed* by the private sector in competition with SMIT. This experiment may help familiarize some developers with the lower income housing market on a profit-oriented basis. The mid-Project evaluation will focus on the legal and financial impediments discouraging greater private market participation in social housing.

Of course, the project itself promotes a substantial amount of private market activity. Home improvements will be contracted independently by loan recipients. Homes may be built on serviced lots either by the lot owner himself ("sweat equity")

using follow-on building materials loan or by private contractors hired by the lot owner.

C. Summary of Previous HG Experience in Tunisia

AID has authorized issuance of guaranties for three housing projects to Tunisia. The first guaranty was authorized for \$5.0 million in 1966 and financed a 570-unit project for middle income families. HG-002 (\$10 million) authorized in 1972 financed 1,950 units at Ibn Khaldoun, a large development containing a mix of low and middle income families. HG-003 authorized October 1976, provides for \$20 million in two equal tranches to encourage a shift in Tunisia's shelter policy to maximize the impact of GOT's program aimed at below-median income families. HG-003 provided funds to: (1) upgrade the Mellassine slum area in Tunis; (2) develop 1,400 core houses nationwide; and (3) finance 1,400 low income housing units to continue the Ibn Khaldoun Program. As of August 1979 almost \$8 million will have been disbursed under HG-003. Work has now been inaugurated at the Mellassine upgrading site and sub-project disbursement is accelerating.

D. Other International Shelter Assistance to the GOT

1. World Bank Project

In May, 1979 the IBRD negotiated a \$19.0 million loan with the GOT to be matched by \$23.6 million in local currency for upgrading and low-income shelter activities in Tunis and Sfax. The Dutch Government is also participating in the Tunis portion of the project by providing \$2.4 million in concessional funding. The Bank Loan is for seventeen years including four years of grace with interest at 7.9% per year. Re-lending for residential and neighborhood improvements will be at 6.5% for 20 years. Small-scale business loans will be extended at 8.25% and have an eight-year maturity, including one year of grace. All funds for the IBRD project will be managed by the Interior Ministry's Caisse de Prêts et de Soutien des Collectivités Locales (CPSCL). Implementation is planned to start in October, 1979.

2. Goal of IBRD Project

The major objective of the IBRD project is to develop and implement low cost solutions to Tunisia's urban problems, particularly in the areas of shelter, social and infrastructure services and employment, within the context of an institutional framework designed to effectively carry out this project and to plan and implement future similar projects. The project will consist of (1) comprehensive upgrading in five low-income settlements; (2) site and services; (3) education facilities in low-income areas; (4) a small business assistance program; (5) improvements in solid waste collection and disposal; (6) improvements in traffic conditions; and (7) technical assistance for project implementation, institution building and studies.

### 3. Central Project Unit and Technical Assistance

The project executing agencies would be assisted in planning and developing low cost upgrading and site and services schemes by the newly created Central Project Unit. Before November 30, 1979 this unit will be established and fully staffed with a director, three advisors and three permanent staff specialized respectively in engineering, financial analysis, small business development and urban planning. After project completion the CPU director and the permanent staff would constitute a permanent unit to plan and develop similar upgrading and site and services schemes throughout urban areas in Tunisia. A municipal banking and finance expert will be made available by the BDET to aid CPSCL. Also, an expert would be made available by the IBRD's Central Project Unit to CPSCL on a part-time basis to set up appropriate commercial accounting procedures.

The CPSCL will be strengthened under the IBRD project to keep full accounts of its operations and with a view to permitting its development in the long term into a viable municipal lending agency which could advise municipalities nation-wide on financial and technical matters and ensure adequate project monitoring.

Before launching into full program implementation, the DCPL will determine whether or not additional TA is merited via the HG Project.

F. DETAILED PROJECT DESCRIPTION

In September, 1977, the NE Advisory Committee reviewed a Tunisian Housing Guaranty PID for \$30 million to be divided in three annual tranches of \$10 million. Pursuant to ABS Committee advice it was decided to opt for authorization of \$15 million tranches in FY 79 and FY 81 to give time for evaluation and assessment activities.

In August, 1978, the GOT requested that USAID consider authorization of a \$60 million HG disburseable over 2 years to fund core housing and slum upgrading. After various discussions on the kinds of shelter programs AID could sponsor and the GOT's absorptive capacity for the potential programs, it was proposed in December 1978 that consideration be given for authorization of a future HG for \$25 million in FY 79 to be followed by a second \$25 million authorization tentatively scheduled for FY 81. This strategy was presented at the recent Joint American-Tunisian Commission and was confirmed in writing to the Ministry of Equipment.

The project goal calls for HG support of \$50 million in two tranches in order to support a shift in GOT policies to improve the formal shelter options for low income households which have not previously benefited from formal shelter programs. Three purposes can be noted:

1. To assist the GOT with the extension of a broader range of low-cost shelter programs to secondary towns in the interior of the country.
2. To attract into the formal housing market households yet untouched by present programs.
3. [REDACTED]

*To encourage greater private participation in the shelter sector.*

The Project will have five shelter outputs:

1. One-room core housing: about 3,500 units averaging 20m<sup>2</sup> on 100m<sup>2</sup> lots. Units will be expandable by owner and reflect local cultural and climatic differences.
2. Serviced lots: about 1,700 serviced lots averaging 100m<sup>2</sup> equipped with basic infrastructure. Follow-on home construction will be left to the lot owner.
3. Construction loans: about 900 loans to households to make additions to existing homes or to provide follow-on construction for serviced lot purchasers.
4. Home Improvements: about 1,300 to household heads to make qualitative improvements [REDACTED] to existing homes. This program which constitutes a first in Tunisia will be available to upgrading beneficiaries as well as other families below the median income.

5. Neighborhood upgrading: about 8,500 families could benefit from the infrastructure upgrading of 14 or so neighborhoods. The Interior Ministry would carry out this complex program.

Estimated costs for these five shelter solutions are found in Table 2. Pending results of a broad-based effective demand study, the GOT has tentatively agreed to the apportionment of guaranty funds already indicated in Table 1. Program-by-program apportionment will remain flexible subject to updated data on effective demand.

Table 3 indicates the relative program outputs associated with the 004A tranche. [REDACTED]

[REDACTED] HG-004 will require new construction start-ups and new site selections for each tranche.

Core housing loans would dominate during the first tranche since both CNEL and SNIT, the major implementing agencies, have gained familiarity with this product during HG-003. The sites and services program will fully disburse during the first tranche so that all serviced lot purchasers may benefit from the self-help construction loan option if they so choose and qualify. Serviced lot owners from 004A would be likely contributors to the home and construction loan business of CNEL during the second tranche. The upgrading option prevails during the second tranche in order to permit adequate time for detailed implementation studies during the first funding phase. The Interior Ministry has already identified fourteen neighborhoods needing infrastructure improvements. In all, approximately 16,000 shelter-related loans are expected affecting about 100,000 residents. Project outputs also include technical assistance activities: (1) assistance in home improvement and construction loans management plus savings mobilization schemes, (2) advisory assistance on passive solar heating and composting toilets, (3) support for small town technical division staff.

Above and beyond the \$50 million in Housing Guaranty funds to cover loans [REDACTED] and more detailed studies an additional \$38 million are expected in the form of down payments, GOT participation, and community facilities. Table 4 indicates the relative level of inputs per sub-project associated with the 004A tranche. The value of community facilities will be based on future site selection criteria and the availability of already existing facilities.

The new breadth in shelter options will, it is expected, attract into the formal housing market households yet untouched by present programs, in particular unsalaried workers, artisans, and merchants. The solutions which are being proposed will by their incomplete nature elicit a greater amount of personal participation on the part of the beneficiary than in previous Tunisian housing guaranties.

TABLE 2

ESTIMATED SOLUTION COSTS - 1979, 1981, 1983

Assuming units will be sold in 1981 and 1983 and assuming an annual inflation rate of 8% in the construction industry (Factor of 1.17 for 1981 and 1.36 for 1983 except in the case of Upgrading)

	<u>1979</u>		<u>1981</u>		<u>1983</u>	
	TD	\$	TD	\$	TD	\$
<b>I. <u>Core housing</u></b>						
Average Price (Land, Improvements and Unit)	<u>2,500</u>	<u>6,000</u>	<u>2,925</u>	<u>7,020</u>	<u>3,400</u>	<u>8,160</u>
Minimum Down Payment (15%)	375	900	439	1,054	510	1,224
GOT Subsidy	270	648	270	648	270	648
Average Mortgage	1,855	4,452	2,216	5,318	2,620	6,288
<b>II. <u>Serviced Sites</u></b>						
Loan	<u>500</u>	<u>1,200</u>	<u>585</u>	<u>1,404</u>		N/A
100 m <sup>2</sup> - Land	50	120	58.5	140		
Streets and Sewers	300	720	351	842		
Electrical	50	120	58.5	140		
Water	100	240	117	281		
<b>III. <u>Construction Loans</u></b>						
Maximum Value	<u>2,315</u>	<u>5,556</u>	<u>2,709</u>	<u>6,502</u>	<u>3,148</u>	<u>7,555</u>
Minimum Down Payment (15%)	<u>345</u>	<u>828</u>	<u>404</u>	<u>970</u>	<u>469</u>	<u>1,126</u>
GOT Subsidy	270	648	270	648	270	648
Maximum Loan	1,700	4,080	2,035	4,884	2,409	5,782
<b>IV. <u>Home Improvements</u></b>						
Maximum Value	<u>1,412</u>	<u>3,389</u>	<u>1,652</u>	<u>3,965</u>	<u>1,920</u>	<u>4,608</u>
Minimum Down Payment (15%)	<u>212</u>	<u>509</u>	<u>248</u>	<u>595</u>	<u>288</u>	<u>691</u>
Maximum Loan	1,200	2,880	1,404	3,370	1,632	3,917
<b>V. <u>Upgrading</u></b>						
Approx. loan per family	656	1,574	768	1,843	797	1,913

TABLE 3

004A ESTIMATED OUTPUT APPORTIONMENT BY GOUVERNORATE AND PROGRAM<sup>1</sup>

Gouvernorates	Core Housing Mortgages	Loans for Serviced Sites	Construction Loans	Home Improvement Loans	Upgrading <sup>3</sup> Loans	Total No. of Solutions	Estimated Total Loan Value <sup>4</sup> (in thousands)	
							TD	\$
Sidi Bouzid	100	70	20	30	-	220	350	830
Gafsa	930	590	170	250	-	1,940	3,090	7,420
Kasserine	350	220	60	90	500	1,220	1,600	3,840
Jendouba	320	210	60	90	70	750	1,130	2,700
Beja	450	290	80	120	500	1,440	1,850	4,440
Le Kef	390	250	70	100	0	810	1,310	3,130
Siliana	190	120	40	50	0	400	640	1,540
TOTAL	2,730	1,750	500	730	1,070	6,780	9,970	23,900
Residual, HG Fee, Commission, Possible T.A., and Studies							450	1,100
Total Tranche							10,420	25,000

<sup>1</sup> Assuming total program restricted to the 7 priority Gouvernorates.<sup>2</sup> Based on weighted average of urban resident.<sup>3</sup> Based on identified neighborhoods.<sup>4</sup> Assuming sales made in 1981.

**TABLE 4**

**ESTIMATED TOTAL VALUE OF 004A PROJECT INPUTS: HG, GOT, AND BENEFICIARIES**

(in thousands of TD and \$)

SOURCES	Core Housing \$	Sites & Services \$	Construction Loans \$	Home Improvements \$	Upgrading \$	TOTAL PROJECT	
						TD	\$
G-Funded Beneficiary Loans	14,600	2,400	2,400	2,400	2,000	9,920	23,800
G-Fee and Investor Commission	300	50	50	50	50	210	500
G-Funded TA and Studies	100	50	50	50	450	290	700
<b>TOTAL HG FUNDS</b>	<b>15,000</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>10,420</b>	<b>25,000</b>
Beneficiary Participation	2,900	0	500	400	0	1,580	3,800
GOT Participation	1,800	0	300	0	0	880	2,100
Community Facilities	5,400	3,400	0	0	2,100	4,540	10,900
<b>GRAND TOTAL</b>	<b>25,100</b>	<b>5,900</b>	<b>3,300</b>	<b>2,900</b>	<b>4,600</b>	<b>17,420</b>	<b>41,800</b>

1. Core Housing Sub-Project

Borrower	CNEL
Sub-Borrower	SNIT/Private Developers
Implementing Agency	SNIT/ Private Developers
Relending Terms to Beneficiaries	6.7 for 15 years with 15% down

<u>INPUTS (\$M)</u>	<u>HG</u>	<u>Downpayments</u>	<u>GOT Participation</u>	<u>Community Facilities</u>	<u>Total</u>
Tranche	15.0	2.9	0.8	5.4	25.1
Tranche	5.0	0.9	0.5	1.8	8.2
<b>Total Sub-Project</b>	<b>20.0</b>	<b>3.8</b>	<b>1.3</b>	<b>7.2</b>	<b>33.3</b>

<u>OUTPUTS</u>	<u>Core Housing</u>
Tranche A	<u>2,730</u>
Tranche B	<u>780</u>
<b>Total</b>	<b><u>3,510</u></b>

<u>Solution</u>	<u>Range</u>	<u>Average</u>
1979 \$ Cost	<u>5,280-6,720</u>	<u>6,000</u>
1979 \$ Loan	<u>3,840-5,064</u>	<u>4,452</u>
Size	<u>N/A</u>	<u>20M<sup>2</sup> Inhabitable Space</u>

All core unit sites will be provided with water and sanitary infrastructure and will be serviced by street and walk ways, storm drainage and a public lighting network. Individual hook-up charges for electricity, water, and sewerage are traditionally at the charge of the house purchaser.

Local representatives of SNIT and the governorates have provided suggestions for core housing prototypes. Their designs reflect regional preferences and may also incorporate some technical innovations such as composting toilets and solar heating. See Annex F and L for further discussion.

Construction will probably be in stone in mountainous areas. In other areas, brick or hollow-tile will be used. As wood is quite scarce, the roof is usually either a brick vault or a flat reinforced concrete slab. In the south, this heavy masonry construction is well suited to the hot, dry climate. The core housing units will be as basic as is feasible while still being serviced with

utilities. The Core unit will represent the initial phase of a readily expandable home consisting of a toilet and kitchen plus one sleeping/living room within a walled compound. Provision is made in the design for expansion by the addition of several rooms which can be built in stages.

2. Serviced Lots Sub-Project

Borrower	CNEL
Sub-Borrower	SNIT
Implementing Agency	SNIT
Relendings Terms to Beneficiaries	6% for 5 years minimum, no down payment

INPUTS (\$M)	HG	DOWNPAYMENTS	GOT PARTICIPATION	COMMUNITY FACILITIES	TOTAL
Tranche A	2.5	N/A	N/A	3.4	5.9
Tranche B	N/A	N/A	N/A	N/A	0
Total Sub-Project	2.5	N/A	N/A	3.4	5.9

OUTPUTS	<u>Serviced Lots</u>
Tranche A	<u>1,750</u>
Tranche B	<u>0</u>
Total	<u>1,750</u>

Solution	Range	Average
1979 \$ Cost	<u>per lot size</u>	<u>1,200</u>
1979 \$ Loan	<u>per lot size</u>	<u>1,200</u>
Lot Size	<u>per family size</u>	<u>100 m<sup>2</sup></u>

All serviced lots are projected to be developed during the first tranche in order to allow beneficiaries the option of follow-on construction and improvement loans. The program will offer a range of serviced lot sizes to reflect the variation in family sizes of the target population. The distribution of various lot sizes will be determined by the effective demand study.

SNIT will develop blueprints for various lot sizes, their infrastructure layout, and cost estimates. SNIT will coordinate site selection and

and acquisition, as well as provision of basic services; land, surface drainage, streets, sewers, electrical and water provision. Surface drainage and streets and ways will typically be contracted by the local municipalities. Contracts for sewerage, electrical and water provision would be awarded by the local municipalities to parastatal utility companies. Sites will be selected following reasonable criteria such as:

- a. proximity to existing and committed job opportunities;
- b. access to transportation;
- c. availability of the land for long-term development and expansion opportunities, and;
- d. clear opportunities for integrating the sites and services program with middle income housing.

To curb any tendency to use serviced lots for speculative purposes purchasers will be required to take up active residency within a short time period, provide guaranties that the lot is their only residential property, and will be required during the first five years of ownership to offer the city/SNIT first option in the event of resale. Serviced lot purchasers will be required to begin residential construction work either on their own account or via a contracted entrepreneur within one year from date of purchase. An operating toilet will be required within a certain limited period after occupancy. Default guaranties similar to home improvement loans will be required for purchase. The serviced lot responds to the very evident ability of many Tunisians to design and built their own residence. It also takes into account the documented untapped savings of many lower income Tunisians... This informal process will be accelerated by facilitating land acquisition for low-income purchasers.

3. Construction Loans Sub-Project

Borrower - CNEL  
Sub-Borrower - N/A  
Implementing Agency - CNEL  
Relending Terms to Beneficiaries - 6% for 15 years with 15% down

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INPUTS (\$M)	HG	DOWNPAYMENTS	PARTICIPATION	COMMUNITY FACILITIES	TOTAL
Tranche A	2.5	0.5	0.3	N/A	3.3
Tranche B	2.5	0.5	0.3	N/A	3.3
Total Sub-Project	5.0	1.0	0.6	N/A	6.6

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OUTPUTS - Construction Loans

Tranche A	500
Tranche B	420
<b>Total</b>	<b>920</b>

<u>Solution</u>	<u>Maximum</u>	<u>Average</u>
1979 \$ Cost	5,556	3,600
1979 \$Loan	4,080	2,640

Because construction loans are viewed as a logical follow-on activity after acquisition of a serviced lot the maximum loan value has been generously fixed at 1,700 TD (1979 prices). The lower income purchaser of a serviced lot will be allowed to borrow in increments according to his total shelter-related debt ceiling. The GOT has proposed that construction loans receive a 270D government contribution which may be pro-rated for loans less than the maximum permissible. The better off serviced lot purchaser, for whom a core house prototype may have little appeal, can construct his own core house according to his lifestyle and immediate shelter needs. Construction loans are also appropriate for those cases in which land is already owned but credit can not be obtained for residential construction.

Construction will be carried out via self-help (labor<sup>provided by</sup> the owner) or via small contracts managed directly by the loan recipient. CNEL will manage the construction loan program but will not directly stock building materials. For large loans, procurement of building materials would be through local suppliers. Selection of the latter would be left to the initiative of beneficiary households. Such households would apply for building material loans from CNEL. Examples of types of construction eligible would be interior partitioning, foundations, courtyard walls, addition of rooms, kitchen, or water closet, or construction of an entire residential unit on a serviced lot.

CNEL would rely on the local municipal technical services to approve construction plans via the building permit approval process. As with home improvements, construction loans would be guaranteed with existing savings, collateral or multiple co-signers. In the case of complete home construction, mortgages would be possible. In cases where land is already owned, liens on the building lot may be arranged as guaranty repayment.

4. Home Improvements Sub-Project

- Borrower - CNEL
- Sub-Borrower - N/A
- Implementing Agency - CNEL
- Relending Terms to Beneficiaries - 6% for 10 years with 15% Down.

INPUTS (\$M)	HG	DOWNPAYMENTS	GOT PARTICIPATION	COMMUNITY FACILITIES	TOTAL
Tranche A	2.5	0.4	N/A	N/A	2.9
Tranche B	2.5	0.4	N/A	N/A	2.9
Total Sub-Project	5.0	0.8	N/A	N/A	5.8

OUTPUTS - Home Improvements

Tranche A - 730  
 Tranche B - 620  
 Total - 1,350

Solution	Maximum	Average
1979 \$Cost	3,384	1,920
1979 \$Loan	2,880	1,632

CNEL will give beneficiaries of serviced lots and upgrading activities priority consideration during their loan application reviews for improvements. CNEL would, of course, extend improvement loans to other below median urban households.

Examples of the types of improvements eligible would be: modern sanitary facilities, kitchen improvements, solar heating design changes, electrical installation, utility hook-ups, or property security improvements such as grills and locks. To reduce the risk of default, CNEL has suggested that improvement loans be guaranteed with existing accumulated savings, other property, or multiple co-signers. Loans may also carry life insurance.

Since individual borrowers are responsible for carrying out improvements with CNEL technical oversight and approval, the home improvement loan program directly fosters increased small-scale private involvement in the construction industry.

5. Neighborhood Upgrading Sub-Projects

Borrower (See page 36) - CNEL and CPSCL/GOT  
 Sub-Borrower - Municipalities  
 Implementing Agency - DCPL  
 Relending Terms to Beneficiaries - 6.5% for 20 years, no downpayment

INPUTS (\$M)	HG	DOWNPAYMENTS	GOT PARTICIPATION	COMMUNITY FACILITIES	TOTAL
Tranche A	2.5	N/A	N/A	2.1	4.6
Tranche B	15.0	N/A	N/A	17.7	32.7
Total Sub-Project	17.5	N/A	N/A	19.8	37.3

OUTPUTS - Households Upgrading

Tranche A	1,070
Tranche B	7,640
Total	8,710

Estimated 1979 Assessment per Household - \$1,574

The Direction des Collectivites Publiques Locales (DCPL) in the Ministry of the Interior, will coordinate and monitor the upgrading sub-project. The DCPL will use the Caisse de Prets et de Soutien des Collectivites Locales (DPSCL) as the financial entity through which funds are passed to the various municipalities involved. The CPSCL may contract for upgrading funds on its own account or defer to the Government. AID will look primarily to the DCPL to assess the needs of municipal governments as the project is implemented.

Planning and some initial implementation will begin under 004A and be concluded with funds from the 004B tranche. The first tranche upgrading program will concentrate on four steps: (1) site selection, (2) recruitment and training of local management staff, (3) detailed physical and social surveys, and (4) upgrading of selected neighborhoods. Studies for both first and second tranche upgrading will be conducted during the 004A period in order to expedite upgrading activity for 004B.

At the present time costs of upgrading have been estimated based on averages developed from AID and IBRD experience in Tunisia. Since squatter areas in large coastal towns may differ markedly from interior areas in their infrastructure needs, upgrading cost figures will have to remain approximate until more detailed studies are complete. If per unit cost estimates shown below prove to be too high, other neighborhoods meriting upgrading will be incorporated or the DCPL may exercise the option to include requisite community facilities in HG financing.

Upgrading cost recovery will be based on a house-by-house assessment covering the following improvements: (1) pro-rated neighborhood infrastructure, (2) individual families' hood-up charges, and (3) residential land purchase based on lot size and location. User charges

will be levied for public utilities and services such as water, sewerage, electricity, and trash collection. General tax revenues will cover major community facilities and public services such as health care, police, and education.

Secure land title and improved infrastructure are the primary incentives for assuring repayment of the upgrading debt imputed to each household. Repayments will be received by the Town Comptroller. Upgrading funds may be used on a site-by-site basis to provide infill serviced lots and core housing to help dedensify congested residential areas or to receive households which had to be moved due to demolition.

In this event, the DCPL would work with SNIT for serviced lot development and sales or with CNEL for the construction and marketing of core houses.

Prioritization of upgrading neighborhoods will follow the general focus of the entire project - to benefit urban residents of small towns in the interior. Annex G identifies 17 potential upgrading neighborhoods.

Contractors engaged by the parastatal utility companies will be encouraged to hire labor from the upgrading neighborhood on a priority basis. Plans for upgrading will be developed so as to minimize any possible dislocation of households. DCPL will be responsible for developing individual upgrading master plans for each site. Land titles will be publicly filed with the local cadastral registry service.

The DCPL will coordinate budgetary allocations to construct and staff needed community facilities such as schools, dispensaries, kindergartens, markets, public baths, police stations, post office and recreational facilities. These community buildings will be timed to coordinate with infrastructure activities and will reflect community priorities as revealed in a socio-economic profile survey.

## 6. Community Facilities

The GOT has agreed to provide essential community facilities such as elementary schools, dispensaries, post offices, and police stations to all Project sites. Budgeting for essential community facilities may be funded from either GOT appropriations or the Housing Guaranty. The Borrower and implementing agencies will be responsible for coordinating the various ministries as they budget and prepare for the installation of essential community facilities.

7. Technical Assistance

*and geographically dispersed*

The major thrust of the technical assistance program is to strengthen GOT institutions in managing a complicated Project at a [redacted] local level. Such T.A. is critical to assure the absorptive capacity of a sizeable program in areas very removed from the typical pool of experienced, skilled staff. Training and on-the-job experience are essential if the GOT's strategy of decentralization of decision-making is to work. The Project's T.A. package attempts to encourage this local authority concept.

Other technical assistance objectives are (1) to *provide* [redacted] the management of new loan and savings mobilization programs and (2) to *provide* [redacted] innovative technologies. *technical expertise for*

A. CNEL's Home Improvement and Construction Loan Management Including General Savings Mobilization

Several short-term technical assistance missions will be scheduled to assist CNEL establish its home improvement and construction loan program. T.A. will be provided to CNEL staff to assist them in portfolio management, loan application criteria, savings promotion and guaranty approaches among low-income citizens.

B. Passive Solar Heating Designs and Composter Toilets

Two innovative technologies may be introduced on a large scale: (1) solar space heating and (2) composter toilets. Colder areas of the country, particularly in the interior, experience near freezing winter temperatures. Due to the delicate water balance of the interior region, the Swedish International Development Agency (SIDA) and the GOT are actively testing composter toilets as alternatives to [redacted] water-intensive collection and treatment associated with sewer installation.

Both passive solar heaters and composter toilets will need technicians to advise on the installation and maintenance of the two technologies. In this regard, it is suggested that mature Peace Corps volunteers (PCVs) experienced in environmental sciences, building construction or sanitary engineering be fielded to assist municipal technical services in inspecting these installations be they built in conjunction with a core housing site, a home improvement loan, self-help construction, or a neighborhood upgrading effort. There is also a possible role for PCVs in training programs for contractors who will be responsible for installation of the devices and for residents who will be responsible for their proper functioning and maintenance. In the event PCVs can not be retained, local training of municipality technical staff may be made available from the loan as an eligible expense.

C. The Integrated Improvement Program for the Urban Poor (IIPUP)

Upgrading Management Training for Small Town Public Works Offices

Many small town public works offices are under-staffed and have received only limited training. In some cases, their capacity to carry out complex assignments such as upgrading is limited. Technical assistance to strengthen the management capacity of selected towns will be provided. Advisory and management services will help selected small towns effectively coordinate numerous agencies. Design of the support program for small town technical staff will be developed by DS/H consultants in collaboration with the DCPL.

Socio-economic Services for Upgrading Beneficiaries

The second component of IIPUP will provide activities to improve the health and education of upgrading residents, as well as job training and credit programs to increase employment and productivity such as:

- a) studies of social services utilization and delivery, including survey of needs in squatter neighborhoods;
- b) primary education, as well as information instruction and literacy programs;
- c) preventive and curative community - based health, nutrition, and family planning services;
- d) infant or pre-school day care and family welfare advisory services;
- e) other elements such as collective protection and safety instruction, public transportation services, operation and equipping of existing or planned community facilities, including amateur sports;
- f) apprenticeship and managerial training;
- g) development of revolving fund to provide reimbursable credits for productive purposes to small-scale entrepreneurs
- h) business management, consulting services to help solve specific purchasing, production, and marketing problems.

Both management training and the funding for socio-economic services will be provided via a grant Project Agreement between AID/W and the Ministry of the Interior's DCPL. THE CPSCL would receive IIPUP grant funds and pass them on to respective municipalities once implementation plans have been reviewed and approved by DCPL. IIPUP grant monies would be kept in an account separate from physical upgrading funds.

The following matrix summarizes the nature of technical assistance activities associated with the project.

Table 5  
PROJECT TECHNICAL ASSISTANCE MATRIX

Activity	Size	Duration	Recipient	Supplier	Funded Via	Purpose
Home improvement and construction loan mgmt. plus savings mobilization	TDY consultancies	Five months or more	CNEL management	RHUDO/Tunis via DS/H contracts	HC fees and/or HC proceeds of <i>LOAN</i> <i>→ ACTION</i>	start-up advisory services on forms, guarantees, loan mgmt. and savings mobilization for the irregularly employed
Advisory T.A. for passive solar heating and composting toilets	Up to 10 PCVs or private advisors	starting FY 80 for 2 years	municipal tech. services of selected small towns, via DCPL/SNIT/Private Developers	Peace Corps or privately contracted advisers	<del>HC</del> and GOT Interior and Equipment Ministries	Training on installation, inspection and maintenance of solar heaters and composting toilets. Training of municipal counterparts & possibly work crews.
	Up to 10 PCVs or private advisors	starting FY 81 for 2 years				
IIPUP support small town technical staff	<del>HC</del>	up to 24 months	technical staff of small towns as selected by the DCPL	Host Country Contracts	<i>HC</i> IIPUP grant for FY <del>80</del> and associated GOT contribution	strengthen the mgmt capacity of municipal cadres to carry out upgrading
IIPUP socio-economic activities for local upgrading beneficiaries	\$200,000		upgrading communities and residents	HC Contracts/US Consultants/ local support		provide integrated socio-economic services to upgrading areas

## PART III PROJECT ANALYSIS

### A. Social Soundness Analysis

#### 1. General Population Characteristics

The latest Tunisian census was made in 1975 and counted 5.6 million inhabitants, 47% of whom resided within urban areas. Between the census years 1966 and 1975, population growth was of the order of 1.1 million for an annual average growth rate of 2.3. This figure would have been higher if emigration had not reduced the impact of a natural growth rate of 2.7% per year. The Tunisian demographic structure suggests a very young population with an almost equal distribution of males and females. The median age is 18.3 years, and life expectancy is estimated at an average 57 years. Working age population was 53% in 1975.

Specific demographic analysis of the Tunisian population reflects two migratory patterns: (1) moderate migration towards European labor markets and (2) strong internal migration of the rural population towards urban centers. Gaps between standards of living in urban and rural populations and urban job opportunities contribute to increasing the flow of internal migration.

#### 2. Project Beneficiaries and Identification of the Irregularly Employed

The GOT has clearly stated that it intends to meet what it feels is an unmet shelter need - to develop programs affordable to the irregularly employed urban households of Tunisia. The GOT recognizes that no official program yet exists to meet the shelter needs of this population which is characterized by its unstable, sporadic or seasonal income pattern. "Irregularly employed" corresponds to those households in which the active adults are not steady wage earners. Annex H provides a more thorough discussion of the unsalaried household in Tunisia. It is not recommended, however, that each program be specifically directed at the non-salaried group. Rather all programs should be affordable to below median income households with every effort being made to make the solution affordable to the lowest income percentiles. Nevertheless, AID agrees with the social objectives of targeting the urban household. The Project will reflect this priority social emphasis by implementing various innovations which will ensure participation by the unsalaried without formally excluding other below median income beneficiaries.

The projected beneficiaries though not all identical have similar socio-economic characteristics. Households in this group often have ties with rural areas and family bonds are strong. Frequently expenses are shared among relatives who are members of the household. Low income and squatter residents are usually skilled or unskilled laborers, construction workers, service employees, merchants or artisans.

### 3. Family Income and the Target Group

An updated study of income distribution does not exist for Tunisia, but in 1975 INS made a thorough study of household expenditures. Five thousand households were surveyed. From this survey one can estimate income levels for all Tunisia: (1) Tunis, (2) other large cities (Sfax, Sousse, Bizerte, Gabès) (3) the remaining small towns and (4) rural areas. Estimates for "remaining small towns" are given below together with an adjustment for income growth and inflation to 1979.

Table 6  
Distribution of Monthly Household Income in  
Tunisia's Small Towns

<u>Percentile</u>	<u>1979 Income-TD</u>
61.4	96.029
60.0	93.000
50.0	76.000
49.8	75.451
45.0	68.500
40.1	61.733
35.0	55.500
30.0	49.500
28.5	48.014
25.0	43.000
20.0	36.000
16.4	30.866
3.1	10.289

Developed from INS report on household expenditures, 1975  
Average household size of 6.05  
See Annex J for further development.

It is noteworthy that the projected small town median income is about 76 D (\$182) per month. The market demand survey will have as one of its major purposes to update the income data.

### 4. Affordability to the Target Group

Monthly repayments associated with each shelter solution are affordable to the [redacted] target population. Most solutions are clearly affordable to at least the 30th percentile. The average core unit would be affordable to small town residents at the 30th percentile and up. Sites and service schemes could reach as low as the 20th percentile. The maximum construction loan would probably be affordable to the 35th percentile. The 20th percentile could be reached however if the beneficiary took out the anticipated average loan of 1,100 TD. The affordability spread for home improvements would also range between the 35th and 20th percentile. Slum upgrading would clearly be affordable to residents slightly below the 20th percentile.

TABLE 7

Project Affordability to Target Group - 1979  
(in TDs)

Program	Total Cost (1979)	Minus Direct GOT Subsidy	Down Payment		Loan	Terms (years)	Interest Rate p.a.	2) MONTHLY REPAYMENTS			
			%	Amount				Amount	as a % of family income at following percentiles (1979)		
Core Housing	Average 2,500	2,230	15% +	375 +	Average 1,855	15 min.	6.0%	15.654	21%	32%	44%
Sites <sup>1)</sup> and Services	Average 500	N/A	0% +	0 +	Average 500	5 min.	6.0%	9.666	13%	20%	27%
Construction Loans	Maximum 2,315	2,045	15% +	345 +	max. 1,700	15	6.0%	14.346	19%	30%	40%
	Anticipated Average 1,500	1,325	15% +	225 +	1,100	15	6.0%	9.282	12%	19%	26%
Home Improvement Loans	Maximum 1,410	N/A	15% +	210 +	1,200	10	6.0%	13.323	18%	27%	37%
	Anticipated Average 800	N/A	15% +	120 +	680	10	6.0%	7.549	10%	15%	21%
Blum Up-grading	660 approx.	N/A	0% +	0 +	660 approx.	20	6.5%	4.891	6%	10%	14%

1) Follow-on residential construction to begin within 1 year from date of purchase.

2) Does not include insurance or loan processing fees.

NOTE: Core houses and serviced lots are exclusive of electrical and water hook-ups. Core houses must come equipped with fully installed WC. Serviced sites will be required to have a fully installed WC within a certain time period from date of residence.

Table 7 summarizes the Project's affordability to the target group at 1979 prices. Actual costs of the five proposed solutions will reflect inflationary trends. At the present time construction inflation in Tunisia is estimated by MOE representatives at 7.5% per year.

#### 5. Beneficiary Participation

Community inputs and feedback will be encouraged, especially in the upgrading areas. Prior to the start of upgrading construction socio-economic and technical studies to be commissioned by the DCPL will further refine community development priorities. A ward representative system currently operates throughout Tunisia. These "délégués" are a part of the Governor's office and serve as a sounding board for their constituents concerning local community problems and as an administrative check upon improvement activity carried out by various municipalities. The system should serve well for community feedback on all program components.

#### 6. Role of Women

CNEL has explained that women will be candidates for mortgages and loans on an equal basis with men. Likewise, women are allowed to include their own earning capacity in making a family loan application. Women dependents also have egalitarian inheritance rights in the event of the death of a core house mortgagee.

As a direct result of the GOT's industrial decentralization strategy the interior governorates are welcoming light and heavy industry more and more frequently. This Housing Guaranty Project is also part of the decentralization trend. Since light industry is typically an employer of women, real opportunities may be opening up for women who, in the larger coastal cities of Tunisia, have played a vital role in augmenting family income. Regrettably, the Joint Commission Background Paper noted however, that literacy among women in central Tunisia was comparatively low. Since it is expected that women who are functionally literate will be able to seek work and remain employed more effectively than the illiterate, it is suggested that the socio-economic component of the IIPUP-funded technical assistance determine what measures can feasibly be taken to raise the level of literacy among women residents. IIPUP resources are limited, but could be used to help design a program which might bring interior women into the economic mainstream of the country.

#### 7. Conclusion

A wide range of shelter options will be provided which will be affordable to the majority of AID's target population. It is not expected that any of the shelter options will cause significant social disruptions. Core housing plans reflect regional domestic preferences while at the same time are expandable over time. Most of the health problems in low income areas are directly or indirectly related to contaminated water, lack of adequate sanitary services, and inadequate heat. The provision of basic services and

shelter will result in improved health conditions for all project beneficiaries. Access to land tenure and the financial and psychological security it provides should stimulate all program beneficiaries to maintain and improve their own properties.

## B. Technical Analysis

### 1. Construction

The proposed project relies on the high level of construction experience demonstrated throughout most of Tunisia. The GOT construction industry, through past performance under the HG program, has demonstrated that it has the competence to implement this program at a minimum cost to the target group.

Serviced lots averaging 100 m<sup>2</sup> will be built to provide secure land tenure to those who would like to build for themselves. No difficulties are anticipated in the quality of infrastructure installation by the public utility companies. Via host country contracting assistance will be provided to the technical division staff of small towns to strengthen their management techniques when faced with a growing volume of permits, inspections and approvals.

Core housing lot sizes will average 100 m<sup>2</sup>. Illustrative core housing plans are found in Annex F. All core house designs will be expandable via the owners own labor or in combination with small-scale contractors hired by the owner. The initial core unit, while built in various configurations, will consist of (1) a turkish type toilet connected to a dry pit, sewer line or composter, and enclosed sleeping/living area of around 12.0 m<sup>2</sup> of inhabitable space, a kitchen with sink and counter top (either entirely or partially enclosed depending on design). Core housing prototypes will be of masonry construction (stone, hollow tile, perhaps concrete block for non-bearing courtyard walls).

The home improvement and construction loan programs will be managed by CNEL who will develop staff capabilities to inspect all activities financed under these two programs. It is expected that CNEL's home improvement and construction inspectors will collaborate closely with their counterparts at the municipal technical level. Self-help construction in the form of additions, improvements and building starts are subject to GOT approval and inspection through the typical permit process.

Upgrading plans and bid documents will be prepared by the DCPL which, in coordination with specific municipalities, will manage contracts to develop project delivery plans sufficiently detailed to be publicly bid. Tunisia has several experienced and well qualified A and E firms capable of handling simultaneously upgrading programs in several cities. Technically, the project presents no serious architectural or engineering difficulties which cannot be resolved. It is well within the capacity of the Tunisian construction industry to carry out. Dislocation due to laying of service lines or space provisions for community facilities will be kept to a minimum.

A review of both planning practices and completed shelter examples confirms that the public housing companies and contractors

are fully capable of implementing the proposed activities. SNIT's newly de-centralized management structure should strengthen on-site quality control, particularly as it effects timely delivery of building components and adequate stocking of basic materials such as brick and cement. SNIT is also strengthening its bidding, contracting and accounting practices. CNEL, as the largest borrower in the Project and major residential construction and mortgage lender in Tunisia, likewise exercises a measure of cost control.

## 2. Environmental Considerations

The Initial Environmental Examination (See Annex I) raised four issues of environmental concern. Each relates to project specific planning. Since the planning and design of sub-projects will be undertaken after site selection, appropriate consideration of environmental issues is best treated by administrative means, rather than technical solutions, to assure environmentally sound planning. For instance, the nation-wide municipal plan effort coordinated by the MOE's Direction d'Aménagement du Territoire has led to a more comprehensive assessment of the impact of urban development activities on the physical environment. Covenants and conditions precedent to loan disbursement (See page 46 for draft covenants 2 and 8) in the Implementation Agreement will secure additional efforts by GOT institutions.

Resolutions to the four IEE recommendations are proposed as follow:

- a. Increases in water consumption should be minimized, particularly in towns where sources are being heavily exploited.

Core housing and serviced lot sites will be selected to avoid any undue increase in water consumption when sources are shown to be in doubt as to volume and constant flow. The major way to avoid sharp increases in water consumption is to avoid water-borne sewerage. Waste collection and treatment should be consistent with good economic judgement and should not unduly draw on the water source. Criteria for RHUDO project approval will include adequate water supply.

- b. The program should incorporate effective non-polluting disposal of human waste.

Generally, the use of the composting toilet will avoid the potential for pollution if properly maintained. However, some sites may be easily connected to existing water borne systems. It must be demonstrated that this waste can be treated so as not to pollute the aquifers: The same is true for pit privy installation, if aquifers are not to be contaminated. Criteria for RHUDO project approval will include effective wastes disposal systems.

- c. Site selection guidelines and a review of actual sites proposed by the GOT should be a part of the scope of the IA services provided.

The GOT will develop site selection criteria and planning and design guidelines, subject to AID approval. Approval of sites based upon soil acceptability of waste among other factors will be a condition precedent before any disbursements are made for the core housing and sites and services programs. AID participation in the selection of sites will be reserved in the Implementation Agreement.

- d. In the case of the "northern" unit with solar heater, site design guidelines should be applied once sites have been selected.

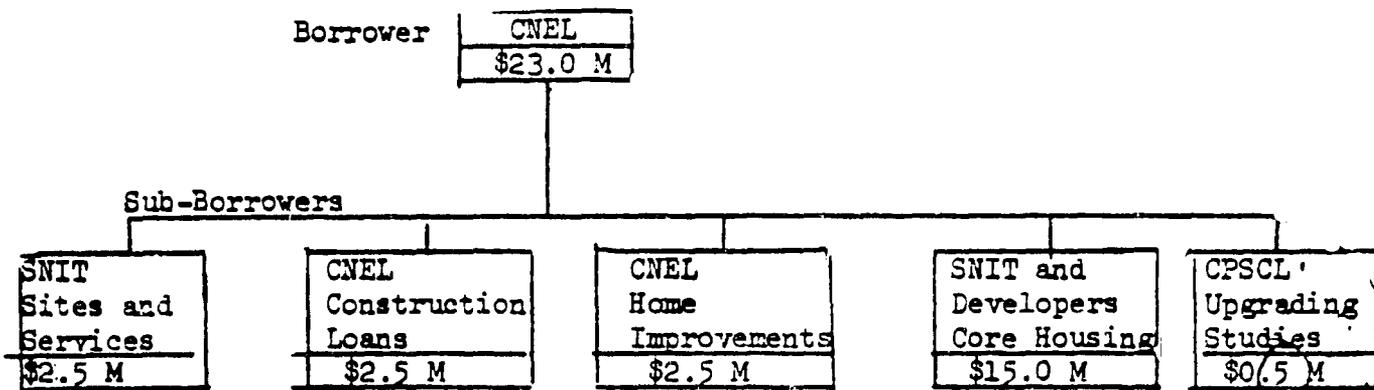
AID will participate in approving site layouts, particularly those which include "northern" units since for maximum efficiency they must be oriented for sun and wind.

Given the above proposed safeguards, the project will substantially reduce the risk of its contributing to the degradation of the environment. Full descriptions of the composting privy and solar heating installation are provided in Annex L.

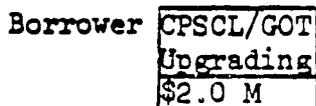
C. Financial Plans

1. Re-Lending Arrangements

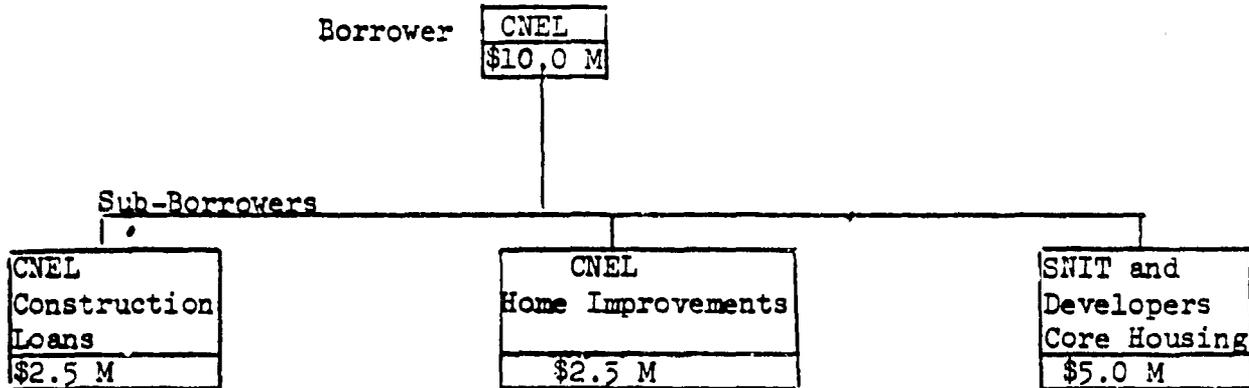
004A LOAN: CONTRACT NO. 1



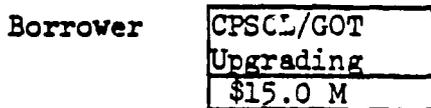
004A LOAN: CONTRACT NO. 2



004B LOAN: CONTRACT NO. 1



004B LOAN: CONTRACT NO. 2



Loan terms between CNEL and sub-borrowers will be specified in their respective re-lending agreements.

## 2. Advances

Project activities go above and beyond the shelter interventions budgeted in the GOT's Fifth Plan. CNEL has no funds set aside for experimental programs since all its present deposits are slated for contract loans. Few of the municipalities have funds sufficient to undertake ~~extensive~~ upgrading, though the DCPL has asked that they contribute as much as their small local budgets will permit.

For the above reasons, all programs at least during the 004A phase will need start-up advances. The size of advances and manner of liquidation will be determined by a review of each sub-project's initial construction costs and absorptive capacity. Under upgrading, advances will be possible for implementation studies, associated start-up costs, and the normal deposits necessary to begin utility installation. Typically, advanced funds ~~will not~~ exceed what is reasonably projected to be the following six months' value of eligible expenses under any given sub-project.

## 3. Community Facilities

AID and the GOT will endeavor to provide adequate community facilities to serve residential areas benefiting under the Project. The GOT may agree to fund the more essential facilities from the Housing Guaranty. The Ministries in charge of facilities funded under the HG will have the option to reimburse the Borrower in which case the Borrower will provide a corresponding level of additional shelter solutions.

## 4. Savings and Down Payments

The project's target group will be encouraged to enter a formal savings system which would later extend a loan. Savings accounts will not be closed upon execution of a loan as this would be contrary to the Project's savings mobilization strategy. The Finance Ministry will determine the interest rate to be earned by depositors in this special program.

## 5. Cost-Recovery

Core housing will be sold via mortgages with a first lien from CNEL. Home improvements and construction loans will use standard loan forms to be drawn up by CNEL. Sites and services will be marketed by the respective municipalities via a sales contract between the beneficiary and the city. The cost of upgrading <sup>improvements</sup> will be re-covered through individually determined household assessment charges. Those families <sup>with the houses</sup> which do not presently own their lot will ~~also~~ be given the <sup>the land</sup> opportunity to finance the purchase of land. Community facilities and infrastructure will be pro-rated to the residents using formulas such as property size and frontage. Additional public costs could be recovered through utility bills if the GOT so chooses. Property owners will be subject to normal real estate taxes. Residents

→ inclusion to assessment charge for upgrading.

who opt to regularize their situation through purchase will receive a sales contract convertible to a title upon full payment of the assessment charges. Repayments may be collected at the local post office, the town comptroller's office (Recette des Finances), or at CNEL offices in the case of some core housing, home improvement loans, and construction loans.

#### D. Economic Analysis

##### 1. The Tunisian Domestic Economy: Performance and Prospects

Tunisia is entering the third year of its ambitious Fifth Development Plan (1977-81). Some short-falls are expected. Real growth reached only 4.1% in 1977 (the target rate was 7.5%). Four areas beyond the Government's control contributed to the 1977 slowdown: a prolonged drought, stagnating tourism, European import restrictions on Tunisian textiles, and weakening in the export market for phosphate products. In 1978, the economy rebounded vigorously from the previous disappointing year with an overall growth of 8.9%. Despite this outstanding performance, the major goals set for 1978 by the Fifth Plan were still not attained, leading to a review of priorities. Nevertheless, for 1978 growth in the non-agricultural sector was over 9% (20% in the case of construction materials). Inflationary pressures continued in 1978, with the official rate of inflation about 8%.

In 1979, the Tunisian Government looks to a planned growth of 6.9%. Investment in 1979 is expected to reach \$2.1 billion, up 7% over 1978. Analysis of Tunisian performance compared to goals set in the Fifth Plan must take into account the ambitious nature of these goals. Whether or not the economy's performance quite measures up to plan projections, its record of well balanced growth will remain impressive.

##### 2. Balance of Payments

After several years of rising trade deficits, Tunisia is striving to improve its current account. Measures to reduce the trade deficit include development of new markets, product upgrading, and increased taxes on imports. To the extent that gross investment continued to grow at an annual 12.8% between 1976 and 1978, the steadily rising need for imported equipment and materials continued to broaden the resource gap. While some improvement in the current account is foreseen for 1979 and succeeding years, major improvements will occur only with a sustained conjuncture of favorable factors including weather, commodity prices, import restraint, new exports, and strong performance in tourism and transfer accounts.

In 1978, Tunisia was left with a current account deficit of \$649 million, up 11% from 1977. This was covered by long and medium-term credits and foreign investment, and grant aid of \$17 million. Net year-end foreign exchange reserves were slightly higher in 1978 than for the previous year. 1978 foreign reserves represented 12.9% of the total value of imports.

##### 3. Foreign Borrowing and Debt Service

With the outset of the Fifth Plan the Government not unexpectedly accepted the need for increased medium and long term commercial borrowing.

In late 1977 the GOT made a major re-entry into the international financial markets as two American banks co-managed a development-related loan for \$125 million. In 1978, Tunisia once again exerted its high credit rating by borrowing \$150 million at 7/8% above LIBOR from a consortium of banks led by Bank of America and Chase Manhattan. Tunisia's borrowing on international markets, tightly controlled by the Central Bank, is expected to be about \$220 million in 1979 - including one large balance of payments loan. While downward adjustments from perhaps, optimistic financial plans are being made, Tunisia's finances are in good order and its strong credit rating should remain one of the foundations of its economic growth into the eighties.

Foreign debt service, although slowing climbing, still absorbed only 11.4% of foreign exchange earnings. Regarding the debt service ratio, a recent World Bank survey noted that Tunisia's ratio was considerably lower than the 19.3% average displayed by fellow countries at similar levels of economic development. An International Monetary Fund study estimates that the Tunisian debt service ratio will not go beyond 20% by 1981.

Assuming a 30-year loan at 10% with 10 years grace on principal the foreign debt effect of a \$25.0 million loan would be slight. Interest only payments during the grace period would increase the 1978 external debt by 0.4% and the 1978 debt service level by 2.0%. Combined amortization and interest payments starting in the 11th year would be equivalent to a 0.45% increase in the 1978 external debt and would equal a 2.31% rise in the 1978 debt service level.

While Tunisian foreign debt is growing, it must be measured in terms of the country's debt level compared to similar economies and the Government's strong commitment to fund its Fifth Development Plan. Taking into account international trade patterns and the GOT's investment program it is likely that Tunisia will have to resort increasingly to international financial markets for its required capital inflows. By these standards, the conditions of a Housing Guaranty Loan would appear relatively favorable.

#### 4. Cash Flow from Beneficiaries to Borrower

The Project will generate sufficient cash flow to be self-supporting assuming the dinar/U.S. dollar exchange rate remains relatively stable.

TABLE

Estimated-Total Project Cash Flow Summary Expressed in Dollars

<u>Years</u>	<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>	<u>21-25</u>	<u>26-30</u>	<u>Total</u>
Gain	2,323	4,648	3,306	13,204	37,957	79,714	151,652
Loss	(1,485)	(1,435)	(5,004)	(5,004)	(5,004)	(5,004)	(22,986)
Surplus	838	3,163	3,902	13,200	32,953	74,710	128,666

Assuming:

- (1) Each program reinvests any surplus earned at end of each round at same terms;
- (2) Sub-projects deficits are sustained by GCT Treasury.
- (3) 004A and 004B are contracted at the start for full amounts, and
- (4) Repayments due investor are level even payments.

Over the course of the 30 year loan 004A and B combined represent a surplus of \$129M on a \$50M investment or on the average a \$4.289 M gain per year (17%). This 17% rate of return is acceptable given the preferred minimum of 15% for other AID projects. Annex K develops cash flow projections for each tranches's sub-projects using the same assumptions as in Table 8.

## Part IV. IMPLEMENTATION ARRANGEMENTS

### A. Government Administrative Framework

Tunisia is divided into 13 governorates, under the direct control of the Ministry of Interior. Each governorate is managed by an Advisory Board whose members represent professional and social organizations. Executive powers are entrusted to a Governor, who is appointed by the President. Governorates are local authorities, and constitute administrative subdivisions of the country. Budgets of the governorates are approved by and are entirely funded through the Ministry of Interior. In urban areas management is the responsibility of the commune or municipality, a subdivision of the governorate. Members of the municipal council are elected officials who, in turn, elect the President of the Municipality or Mayor, who assumes executive powers. Communes have financial resources of their own, funded from local taxes but these are very limited. Weak bureaucratic control at the local level has contributed to bottlenecks in spending monies allocated to small towns.

Frequently mayors must rely on national level technicians to approve plans and make inspections. Finally, local provision of community facilities is largely dependent on budgetary allocations set at the national level. Consequently, coordination of activity at the local level is often hampered.

### B. Institutional Capabilities

Based upon previous experience with GOT shelter-related parastatal agencies it is confidently felt that they have sufficient technical and managerial capacity to carry out the project effectively.

#### 1. La Caisse Nationale d'Epargne-Logement (CNEL)

The CNEL administers a variety of lending programs and has shown a history of rapidly increasing savings and loan levels. By the end of 1978 CNEL had 45 million dinars in loans outstanding for construction financing, 10 million dinars in loans related to the standard savings program, and 20 million dinars in loans related to the "bridge" loan which may be made at CNEL's option after two years of savings experience. The 1977 balance sheet of the CNEL reflected assets of around 52 million dinars, including construction financing loans of approximately 25 million dinars and about 11 million dinars in pass-through funds borrowed at 9% from a Persian Gulf State. Savings levels at the end of 1977 totaled over 26 million dinars. The other principal sources of funds were foreign borrowings and lending from the Banque Centrale de Tunisie or the commercial banking system.

CNEL management realizes that the contract approach brings with it certain inflexibilities. Not surprisingly, CNEL has expressed interest in some of the innovative, flexible aspects of the proposed Project. The Project is viewed as an opportunity to expand activities beyond the rigid lines set by contract savings. HG-004 would permit CNEL to broaden its client base and acquire experience beyond the

big coastal cities - their area of major concentration during the institution's early years. CNEL representatives feel that there is a considerable need for the home improvement option throughout the nation. They are naturally cautious about working with an unsalaried population and are financing a market demand study. CNEL now has around 240 employees in eight towns and plans to establish branch offices in several of the administrative centers targeted by the Project. CNEL is willing to make a major personnel effort on behalf of the Project. On the basis of past performance CNEL is expected to have no major difficulties either as Borrower or a sub-project implementing agency.

## 2. La Société Nationale Immobilière de Tunisie (SNIT)

By far the most important agency under the auspices of the Ministry of Equipment as regards the proposed Project is SNIT, the principal housing construction agency in the country. In 1978, regional corporations were set up to effect the decentralization of SNIT operations. The SNIT re-organization has been designed to permit the construction of government-supported units which reflect variations in climate and population preference in the various regions of the country. Specific unit designs are originated by these regional offices which are directly responsible for contracting projects and monitoring their construction.

Since the establishment of the CNEL in 1974, SNIT has directed its construction program at the CNEL saver plans. SNIT urban programs have, as a result of this tie with CNEL, focused mostly on the coastal cities. However, SNIT continues its production and sales control over the rural housing program and requires the governors to submit lists of eligible buyers and only permits the building of rural units at least 10 kilometers outside municipal boundaries. Consequently, SNIT is not unfamiliar with construction operations in the target area. Up to 80% of SNIT operations are financed through the CNEL.

SNIT has made tremendous gains in recent years in increasing its production levels to match those identified as required in the Fifth Plan. Since 1969 SNIT has almost quadrupled its annual production level. In fact, SNIT is to build 80,000 of the 125,000 units scheduled under the 1977 to 1981 development plan. SNIT activities in 1978 reached a level of more than 130 million dollars in investment in shelter projects with 21,000 units being delivered during the year. SNIT is a recognized major housing production company even by world standards. It is clear SNIT management is capable of handling the proposed programs.

## 3. La Direction des Collectivités Publiques Locales (DCPL)

The DCPL has taken on a new look in recent years. Currently the MCT is considering a reform of the organizational structure of the DCPL, specifically to assure a more efficient approach to municipal improvements. The IBRD project, now under way, offers the first major opportunity to develop the staff and organization which is necessary for channelling international assistance funds to municipal projects

in addition to improving the DCPL's ability to deal with the subject matter. The DCPL's Caisse de Prêts et de Soutien des Collectivités Locales (CPSCL) has also been revitalized so that the GOT will have a better financial conduit through which to assist the urban development process.

The CPSCL is under the supervision of the Ministries of Interior and Finance. The CPSCL's main purpose is to lend to public entities such as municipalities and governorates for financing public facilities, infrastructure works and municipal housing development. About 90% of CPSCL's resources derive from Government budgetary allocations. CPSCL had assets in 1978 of about \$24 million equivalent. It holds its account with The Banque pour le Développement Economique de la Tunisie (BDET) which has major responsibility for the financial management of CPSCL funds.

Initial familiarity with IBRD project operation will strengthen the DCPL/Caisse staff which should be ready to expand its focus to the interior of the country by the time the HG Project begins implementation. The results of this "break-in" period should be positive and lead to a major new GOT effort to cope with the problems of municipal government as it confronts urban development during the Sixth Plan period.

#### 4. Conclusions

Small town technical staff will need technical assistance in carrying out the upgrading sub-project so that funds will disburse efficiently and so that activities will be effectively coordinated at the local level. On the basis of similar programs previously completed with AID assistance, DS/H has found that the participating GOT agencies have the technical and managerial expertise to successfully execute the program.

#### C. Implementation Plan

It is expected that the Project will be authorized (first tranche of \$25.0 million) by September, 1979. By November, 1979 RHUDO/Tunis will discuss and negotiate the Implementation Agreements with the Ministry of Plan and the two future Borrowers will develop master delivery plans for each sub-project presenting the production rate and disbursement requirements. Once the project delivery plans are approved by RHUDO/Tunis DS/H will advertize for U.S. lenders. Further implementation steps are noted with critical project indicators in Annex A, the Project Performance Tracking Network.

##### 1. Project Monitoring

Program technical monitoring will be the responsibility of SNIT for core units and serviced lots, CNEI for home improvements and construction loans, and DCPL representatives in cooperation with the municipal technical services for upgrading. RHUDO and GOT agency counterparts will follow progress in all program components, especially any deviations in the relative progress of the program from the critical stages high-lighted in the project delivery plans. They will maintain open lines of communication between all responsible parties to flag existing or potential bottlenecks to pro-

gram development. Construction will itself be monitored according to project delivery plans and periodic progress reports.

## 2. Project Evaluation

Socio-economic baseline data will be assembled prior to any sub project's implementation. To establish an appropriate framework for measurement and analysis these data should be presented within five general categories: Physical, Economic, Fiscal, Social and Environmental.

An annual project evaluation will be performed by GOT officials subject to AID approval. The annual review will evaluate the progress in meeting the outputs envisioned for the program as outlined in the Logical Framework. The actual assembly of information and its analysis will be the responsibility of Tunisian authorities. Data and analysis relating to direct project outputs will be readily available as part of normal record keeping. CNEL will coordinate the data assembly and analysis activities of SNIT and itself. THE DCPL will assemble and analyze data originating with the municipalities which have upgrading activities.

~~A mid-project evaluation~~ will be required prior to authorization of the 004B tranche. At this juncture CNEL will make a particular effort to evaluate credit risk among the unsalaried and will evaluate performance of private developers, especially any legal or financial barriers limiting their entry to the social interest housing market. Also, an evaluation of housing sector finance policies will be conducted. During the mid-project evaluations DCPL will make an effort to ~~monitor~~ <sup>analyze</sup> and evaluate the economic and health effects of passive solar heating and compost toilet (e.g. incidence of water borne disease, respiratory infections, infantile mortality, etc.).

## D. Conditions and Covenants, Negotiation Status

### 1. Negotiation

After authorization of the HG, a Letter of Advice will be issued to the GOT Minister of Plan, subsequently notices will be placed in the Federal Register to identify U.S. lenders. The Borrowers will enter into negotiations with investors, seeking financing for the Project on the best possible terms. The Borrowers are required to inform RHUDO/Tunis and DS/H of all proposals received and of their preference. Upon DS/H approval the Borrowers may accept a ~~commitment for 90 days~~ from the selected investors. The terms of the four basic HG documents to be negotiated are:

- a. The Loan Agreement (between the U.S. investors and each Borrower) setting forth the terms of the loan and be signed by the Ministry Plan, acting for the Borrower and the U.S. investors.

~~at~~

- b. the Contract of Guaranty (between AID and each U.S. investor) signed by AID, will assure the U.S. investor against any loss.
- c. Host Country Guaranty (Republic of Tunisia and AID) signed by the Ministry of Plan will provide a similar assurance to AID.
- d. The Implementation Agreement (AID, Ministry of Plan, and Borrowers) will set forth the implementation procedures and conditions precedent to disbursements for HG financed projects and covenants.

The Implementation Agreement will be negotiated and signed first. Subsequently, the other three documents will be negotiated and signed. In addition, legal opinion of the GOT's Legal Counsel for each of the instruments, and designation of the Borrowers' representatives are required.

## 2. Terms and Conditions of the Guaranty

1. Term of Guaranty: The loans shall extend for a period of up to thirty years (30) from the date of disbursement and may include a grace period of up to ten years on repayment of principal. The guaranty of the loans shall extend for a period beginning with the first disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.
3. Republic of Tunisia Guaranty: The Republic of Tunisia shall provide for a full faith and credit guaranty to indemnify AID against all losses arising by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.
4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount of \$250,000 to be paid as AID may determine upon disbursement of the loans.
5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as AID may deem necessary.

## 3. Covenants and/or Conditions Precedent to Disbursement

1. Eligibility of Beneficiaries: Prior to the first disbursement, the Borrower shall present for AID review and approval, the procedures to be used by the Borrower to assure that beneficiaries meet the below median income test. New sub-projects

or parts of new sub-projects for which loans are to be used must be affordable by households with incomes below the median urban income. Adjustments to this target median income level will be reviewed periodically.

2. Construction Standards: Prior to disbursement for their respective sub-projects, the Borrowers shall present for AID review and approval the sub-project plans for: environmental and social soundness, technical soundness, and financial soundness.

3. Evaluation: Evaluation of the progress in meeting the outputs envisioned for the Program as outlined in the Logical Framework will take place on a regular basis. The Borrowers will be expected to submit periodic Progress Reports. Evaluation will be carried out as outlined in the Evaluation and Monitoring Guidelines of the AID Office of Housing dated November, 1978, as amended. In addition, baseline data will be established prior to project implementation to enable on-going measurement of program impact on beneficiaries.

4. Housing Finance System: Prior to the Borrower requesting a second HG authorization, there will be studies underway with respect to a comprehensive housing finance system in Tunisia and

*completed and a review  
Sixth Plan regions.*

5. Areas Selected: Areas selected for slum upgrading must be predominantly low income.

6. Cost Recovery: Land and construction costs shall be charged to the beneficiaries in order to assure cost recovery to the fullest extent. Public costs of on-site infrastructure to the extent not recoverable through user charges shall be minimized and shall be the subject of AID reviews under paragraph 2 above.

7. Maximum Cost Per Unit: Maximum cost levels for units financed under the Program in whole or in part are subject to AID approval and will be established in the Project Delivery Plans and reviewed periodically.

8. Technical Review and Approvals: Prototype solution designs and specifications including cost estimates will be subject to AID technical review and approval. Project sites and community facilities will be integrated to the maximum extent feasible into general area development plans also subject to AID approval.

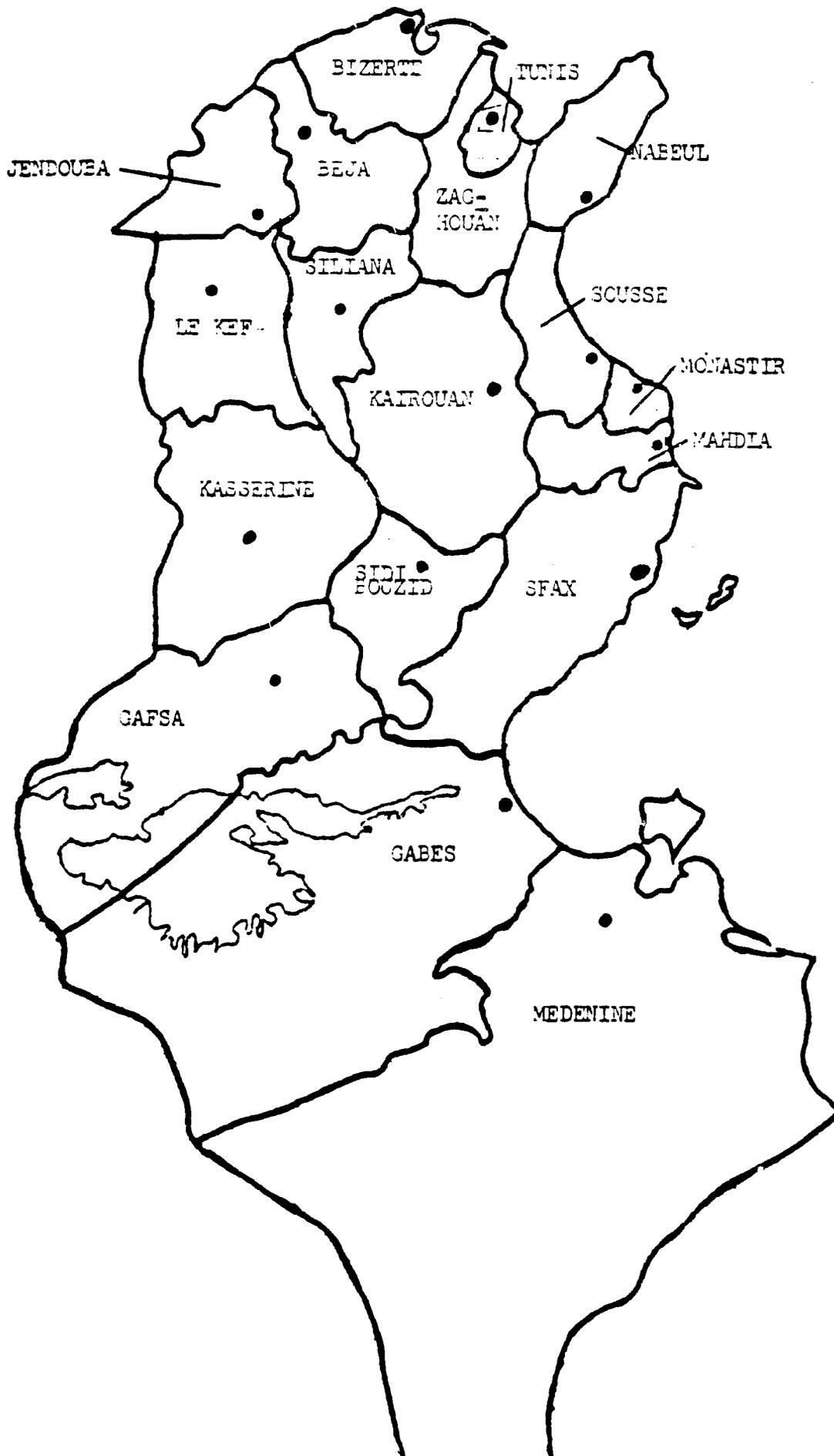
9. Market Demand Study: The GOT will conduct a market demand study subject to AID approval to determine the location and apportionment of sub-project activities and to update income distribution data. All costs associated with the Project's market demand study will be eligible expenses reimbursable from loan proceeds and may be charged to the beneficiaries as part of the normal overhead costs of the Program.

10. GOT Inter-ministerial Agreement: The GOT will execute a special protocol between CNEL and the other implementing agencies. The protocol will allow CNEL to operate, on an experimental basis, a "free" saving and loan operation using the various principles and techniques common to that industry.

11. Location and Sale of Rural Units: The GOT shall agree not to build residential units financed under its Rural Development Program closer than 10 km. to incorporated townships.

12. Other Terms and Conditions: The Implementation Agreement shall be subject to such other terms and conditions as AID may deem necessary.

GOUVERNORATS DE TUNISIE: 1979



## ANNEXES

- A. Project Performance Tracking Network
- B. Logical Framework
- C. Estimated Project Outputs for Second Tranche and Total
- D. Estimated Value of Project Inputs for Second Tranche and Total
- E. Issues Surfaced in PID Approval Cable
- F. Illustrative Core Housing Prototypes
- G. Identified Potential Upgrading Sites and Cost Estimates
- H. Analysis of the Unsalariated Household
- I. Initial Environmental Examination
- J. Distribution of Monthly Household Income in Tunisia's Small Towns
- K. 004A and B Estimated Project Cash Flows Expressed in Dollars
- L. Report on the Application of Innovative Technology
- M. GOT Request for Assistance
- N. AID Statutory Checklist
- O. Guaranty Authorization

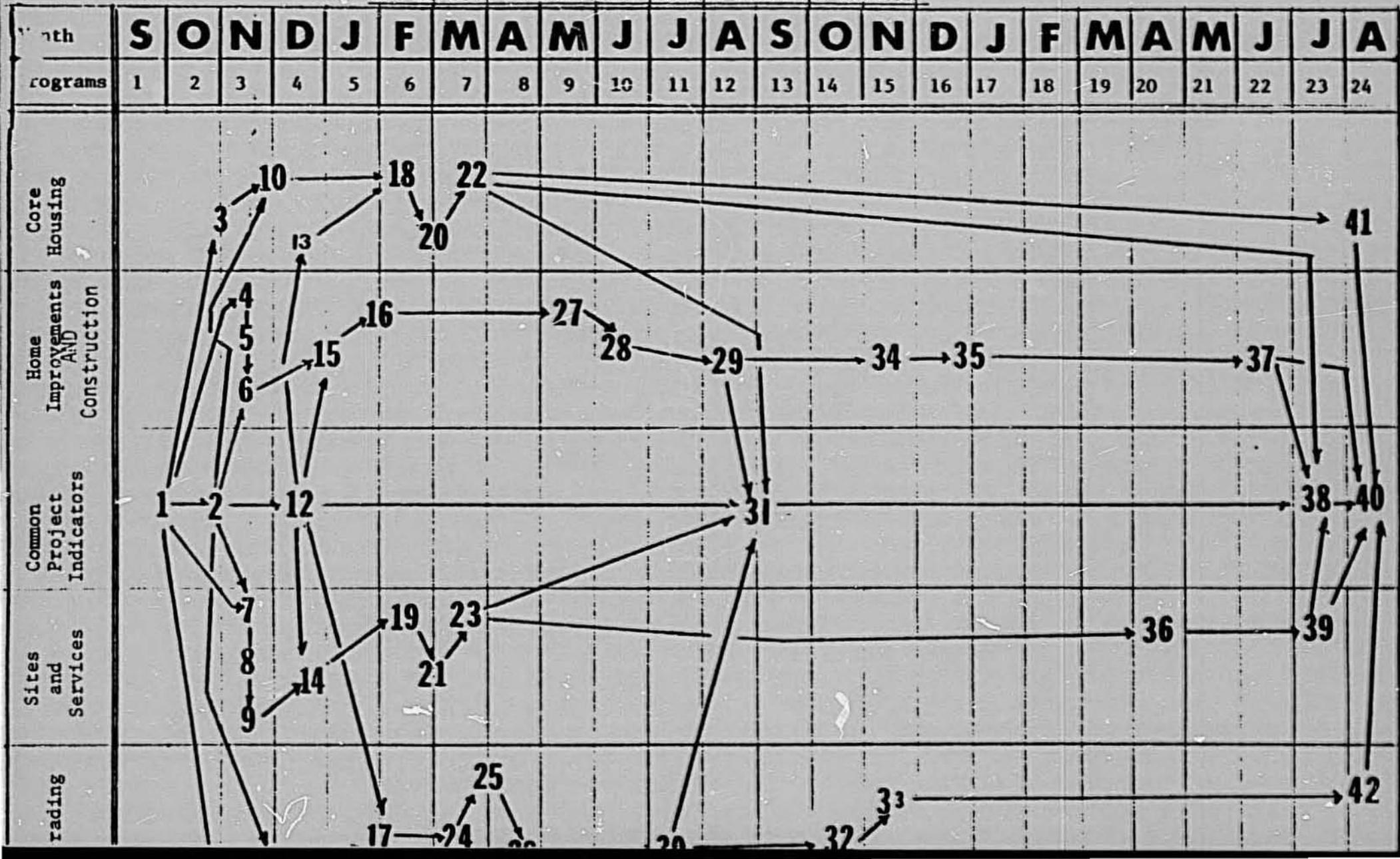
ANNEX A

PROJECT PERFORMANCE TRACKING NETWORK

Critical Project Indicators

1. Results of Demand Study
2. Implementation Agreement
3. Core Housing Management Staff Selected
4. Improvement and Construction Loan Staff in Place
5. Credit and Repayment Guarantee criteria set for Improvement and Construction Loans
6. Two month T.A. on Improvement and Construction Loan Management Begins
7. Criteria for S/S Beneficiary Selection Set
8. S/S Staff in Place
9. Definitive S/S Sites Selected
10. Definitive Core Housing Sites Selected
11. Up-grading Management Staff Selected
12. Loan Agreement Signed and First Advance
13. Core Housing Construction Bids Go Out
14. S/S Construction Bids Go Out
15. Home Improvement and Construction Loan Advertizing Program Begins
16. Home Improvement and Construction Loan Processing Begins
17. Up-grading Studies Bids Go Out
18. Core Housing Contractor Selection
19. S/S Contractor Selection
20. Core Housing Construction Advance
21. S/S Construction Advance
22. Core Housing Work Begins
23. S/S Work Begins
24. Up-grading Firm(s) Selected for Physical and Social Surveys
25. Advance for Up-grading Studies
26. Up-grading Studies Begin
27. HI and Construction Follow-up TA
28. Second HI and Construction Advance
29. First HI and Construction Loans Completed
30. Preliminary Results of Up-grading Studies Submitted
31. Regular Annual Evaluation
32. Finalized Up-grading Plans Approved
33. Up-grading Work Begins
34. Home Improvement and Construction Loan Follow-on TA
35. Third HI and Construction Loan Advance
36. S/S Sub-Project Completed
37. HI and Construction Loan Follow-on TA
38. In-depth mid-Project Evaluation
39. Sale of S/S Lots Completed
40. PP Update and Recommendation for O(0)4B Authorization
41. Core Housing Construction Completed
42. Upgrading completed and Beneficiary Assessment Finalized

664-HG-004A PROJECT PERFORMANCE TRACKING NETWORK



LOGICAL FRAMEWORK  
TUNISIA 004

<p><b>A.1. Program on Sector Goal:</b> To support a shift in GOT policies to improve the formal shelter options for low income households in the small towns of Tunisia.</p>	<p><b>A.2. Measures of Goal Achievement:</b> An increasing GOT allocation of resources which support wider range of replicable shelter options in small towns.</p>	<p><b>A.3. Means of Verification:</b> Budgetary monitoring by RHUPO/Tunis and USAID/Tunis and a published version of the VIeme Plan de Développement Economique et Social (1982-1986).</p>	<p><b>A.4. Important Assumptions:</b> Continued GOT commitment to social housing and decentralization of the benefits of development.</p>
<p><b>B.1. Project Purpose:</b> a) To assist the GOT with the extension of a broader range of low-cost shelter programs to secondary towns in the interior of the country.  b) attract into the formal housing market households yet untouched by present programs.  c) encourage greater private beneficiary participation.</p>	<p><b>B.2. Objectively Verifiable Indicators:</b> a) A broad range of low-cost solutions such as core housing, sites and services, home improvement loans, and neighborhood upgrading are offered in 7 or more Gouvernorates in cities such as Gafsa, Kasserine, Sidi Bouaid, Siliana, Le Kef, Jendouba, Beja, Bou Salem, and Tabarka.  b) housing programs directed at non-salaried as well as salaried below-middle-income families.  c) more realistic loan terms, greater degree of self-help solutions being employed to reach target population.</p>	<p><b>B.3. Means of Verification:</b> a) The working documents, publications and records of the ONEL, SNIT, Ministry of Interior, and participating municipal governments.  b) Loan applications and income attestations.  c) Program mix and repayment terms.</p>	<p><b>B.4. Important Assumptions:</b> a.i. Continued GOT support of programs design to increase the pace of economic development in the interior of the country and consequently public sector investment in the infra-structure of these areas. a.ii. Implicit recognition by the GOT of the need to de-emphasize "standard" rules in favor of adapting publicly supported shelter programs very specifically to the physical and social needs and financial capacity of the target population in small towns.  b) Financial institutions can effectively attract irregularly employed into formal markets.  c) GOT willing to encourage greater financial participation from lowest income groups.</p>

LOGICAL FRAMEWORK  
TUNISIA 004

C.1. OUTPUTS

- a) Low cost shelter solutions, including core units, home improvement loans, construction loans, sites and services and urban upgrading projects in the urban areas of interior governorates.
- b) Training programs for savings mobilization and better loan management techniques for the main borrowing institution emphasizing home improvement loans.
- c) Advisory assistance on passive solar heating and composting toilets.
- d) Support for small town technical division staff.

C.2. MAGNITUDE OF OUTPUTS:

- a) Approximately 10,000 shelter solutions in two tranches for about 100,000 residents:
  - 3,500 core housing units (2,700/800)
  - 1,300 home improvement loans (700/600)
  - 900 construction loans (500/400)
  - 1,700 serviced lots (1,700/0)
  - 8,700 families benefiting from upgrading programs in at least 14 neighborhoods (1,000/7,700)
- b) Technical assistance to establish home improvement loan program for borrowing institution and other management techniques as requested.
- c) Develop prototypes using solar heating as an integral part of home design for cold, mountainous regions.  
Installation of tested composting privies in areas where water-borne sewerage costs would be prohibitive and where water table pollution is apt to be aggravated by pit privies or un-treated sewage disposal.
- d) Up to 24 months of management and upgrading advisory technical assistance.

C.3. MEANS OF VERIFICATION:

AID and GOT agency records

C.4. IMPORTANT ASSUMPTIONS:

- a.1. Stabilization of construction costs in a range applied during project definition.
2. Housing market conditions continue to provide ready acceptance of solutions designed for the project.
- b) Ministerial concurrence forthcoming to establish a protocol for borrowing to implement program broader than its present regulations.
- c) SNIT accepts need for unconventional technologies.
- d) DCPL selects towns needing strengthening and provides backstop support.

LOGICAL FRAMEWORK  
TUNISIA 004

D.1. Inputs:	D.2. Implementation Target:	D.3. Means of Verification:	D.4. Important Assumptions:
a) HG loans	a) \$ 50 million: 20 M core housing (15/5) 5 M home improvements (2.5/2.5) 5 M construction loans (2.5/2.5) 2.5 M sites and services (2.5/0) 17.5 M upgrading (2.5/15.0)	GOT (CNEL, SNIT, MOE, MJI) and AID records.	a) Authorization by AID of guaranty Authorization by GOT of guaranty Acceptance of investor's terms by GOT
b) GOT participation	b) \$ 2.9 M for core units and construction loans		b) Continuation of GOT subsidy policies.
c) GOT community facilities	c) \$ 30.4 M (estimated): \$ 7.2 M for core housing areas 3.4 M for serviced site locations 19.8 M for upgrading neighborhoods		
d) Beneficiary down-payments core units home improvements construction loans	d) Approximately \$ 5.6 Million \$ 3.2 M 0.6 M 1.0 M		d) Maintenance of beneficiaries earning capacity.

## ANNEX C

004B ESTIMATED OUTPUT APPORTIONMENT BY GOUVERNORATE AND PROGRAM<sup>1</sup>

Gouvernorates	Core Housing Mortgages	Loans for Serviced Sites	Construction Loans	Home Improvement Loans	Upgrading Loans <sup>3</sup>	Total No. of Solutions
Sidi Bouzid	30	0	20	29	-	70
Gafsa	260	0	140	210	420	1,030
Kasserine	100	0	50	80	3,000	3,230
Jendouba	90	0	50	70	2,590	2,800
Beja	130	0	70	100	800	1,100
Le Kef	110	0	60	90	470	730
Siliana	60	0	30	50	0	140
Residual	-	0	-	-	360	360
<b>TOTAL</b>	<b>780</b>	<b>0</b>	<b>420</b>	<b>620</b>	<b>7,640</b>	<b>9,460</b>

<sup>1</sup> Assuming total Program restricted to the 7 priority Gouvernorates.

<sup>2</sup>

Apportionment based on gouvernorate relative degree of urban population.

<sup>3</sup>

Based on identified neighborhoods.

<sup>4</sup>

Assume sales in ,981.

## ANNEX C

004 ESTIMATED OUTPUT APPORTIONMENT BY GOUVERNORATE AND PROGRAM <sup>1</sup>

Gouvernorates	Core Housing Mortgages	Loans for Serviced Sites	Construction Loans	Home Improvement Loans	Upgrading Loans <sup>3</sup>	Total No. of Solutions
Sidi Bouzid	130	70	40	50	0	290
Gafsa	1,190	590	310	460	420	2,970
Kasserine	450	220	110	170	3,500	4,450
Jendouba	410	210	110	160	2,560	3,550
Beja	580	290	150	220	1,300	2,540
Le Ker	500	250	130	190	470	1,540
Siliana	250	120	70	100	0	540
residual	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>360</u>	<u>360</u>
TOTAL	3,510	1,750	920	1,350	8,710	16,240

<sup>1</sup> Assuming total Program restricted to the 7 priority Gouvernorates.

<sup>2</sup> Apportionment based on gouvernorate relative degree of urban population.

<sup>3</sup>

ANNEX D

ESTIMATED VALUE OF 004 B PROJECT INPUTS; HG, GOT, AND BENEFICIARIES  
(in Thousands of TD and \$)

WORLD BANK	Core Housing	Sites and Services	Construction Loans	Home Improvements	Upgrading	Total Project	
WG-Funded Beneficiary Loans	\$ 4,900	\$ 0	\$ 2,400	\$ 2,400	\$ 14,600	TD 10,130	\$ 24,300
HG Fee and Investor Commission	70	0	50	50	300	200	470
WG-Funded TA and Studies	30	0	50	50	100	100	230
<b>TOTAL HG FUNDS</b>	<b>5,000</b>	<b>0</b>	<b>2,500</b>	<b>2,500</b>	<b>15,000</b>	<b>10,430</b>	<b>25,000</b>
Beneficiary Participation	900	0	500	400	0	700	1,800
GOT Participation	500	0	300	0	0	400	800
Community Facilities	1,800	0	0	0	17,700	8,100	19,500
<b>TOTAL TOTAL</b>	<b>8,200</b>	<b>0</b>	<b>3,300</b>	<b>2,900</b>	<b>32,700</b>	<b>19,630</b>	<b>47,100</b>

ANNEX D  
ESTIMATED TOTAL VALUE OF COA PROJECT INPUTS: HG, GOT, AND BENEFICIARIES  
(in Thousands of TD and\$)

SOURCES	Core Housing	Sites and Services	Construction Loans	Home Improvements	Upgrading	Total Project	
						TD	\$
HG-Funded Beneficiary Loans	\$ 15,500	\$ 2,400	\$ 4,800	\$ 4,800	\$ 16,600	20,050	48,100
HG Fee and Investor Commission	370	50	100	100	350	410	970
HG-Funded TA and Studies	130	50	100	100	550	390	910
<b>TOTAL HG FUNDS</b>	<b>20,000</b>	<b>2,500</b>	<b>5,000</b>	<b>5,000</b>	<b>17,500</b>	<b>20,850</b>	<b>50,000</b>
Beneficiary Participation	3,800	0	1,000	800	0	2,330	5,930
GOT Participation	1,300	0	600	0	0	1,210	2,710
Community Facilities	7,200	3,400	0	0	19,800	12,670	30,470
<b>GRAND TOTAL</b>	<b>33,300</b>	<b>5,900</b>	<b>6,600</b>	<b>5,800</b>	<b>37,300</b>	<b>37,060</b>	<b>88,800</b>

ANNEX E

ISSUES SURFACED IN PID APPROVAL CABLE  
(State 224906 para 1 September 19, 1977)

A. Extension of Settlement Upgrading Programs to New Areas in Tunis and to secondary cities in order to assure direction of continued increments of GOT Resources into low-income neighbourhoods.

As part of the GOT's decentralization strategy the Project will focus on urban areas located in the northwest and west central gouvernorates. Settlement upgrading activities will continue in Tunis and Sfax with IBRD funding.

B. Description of how the kinds of activities planned under proposed Improvement Program for Urban Poor (IPUP) in preparation for Mellassine Neighbourhood can be extended to low-income communities to be upgraded under new program.

The IIPUP scope of work now beginning implementation in Mellassine calls for a thorough discussion of extension strategies. During FY'80 additional IIPUP funding of two or more resident consultants is proposed to design health, education, employment activities for the upgrading areas targeted under HG-004. These consultants will benefit from the results of the first IIPUP effort in Mellassine. At the end of FY'80 the IIPUP consultants for HG-004 would have developed a 3-year proposal which could begin disbursing with the actual start of HG-funded upgrading work.

C. Degree to which core housing program will further indicate progress in application of approach.

The 004 Housing Guaranty sponsors only one-room core units, SNIT regional representatives are themselves designing one-room units. CNEL representatives are contemplating a one-room core program of their own in Kasserine. The generalization of the one-room design pursuant to the market sales success of HG-003's one-room experiment is the major measure of success.

D. Within the parameters of GOT policy, steps to reduce the impact of subsidy within overall sector financing.

Increasing reliance on CNEL is the best indicator today that the GOT seriously intends to make the shelter sector more self-reliant. Significant moves in this direction (reduction of direct subsidies, free savings development, more realistic loan terms) are expected for the Sixth Plan. Ministry of Equipment officials have explained that they are increasingly aware of the bottlenecks in their housing finance structure and will keep the Regional Housing Office aware of its deliberations and recommendations as it considers new policies for the Sixth Plan.

E. Extension of minimum standard, minimum subsidy criteria within GOT policy parameters to a rural housing program coordinated with development of other economic activities in rural areas.

The GOT has requested that HG-004 focus on urban areas (incorporated areas of more than 2,000 inhabitants). There are no direct project links with economic activities in rural areas.

F. Discussion of Interrelationship between proposed program and (1) other AID Programs in Tunisia, and (2) IBRD initiatives, which are being resumed and appear to be expanded to include neighbourhood up-grading on basis of AID successful initiative in Mellassine.

(1) HG-004 will concentrate its effort in the West Central and Northwest Governorates which include the Central Tunisia Rural Development Effort. The projects have not been designed as a package and are independent efforts. The guaranty has a much broader geographic scope but will remain in urban areas. The activities developed under the Integrated Improvement Program for the Urban Poor (IIPUP), a DS/H grant with USAID/Tunis oversight, will develop socio-economic activities in several upgrading areas.

(2) In May, 1979 the IBRD and GOT negotiated up-grading initiatives for two Tunis squatter areas; Djebel Lahmar and Saida Manoubia. In addition, Sfax with IBRD assistance will undertake slum up-grading, Medina rehabilitation, core housing development, and improvements in its transportation network.

The IBRD project will pass its loan proceeds through the Direction des Collectivites Publiques Locales (DCPL) in the Interior Ministry. Due to this Ministry's evident flexibility, broadly defined role, and complete geographic coverage it will be the implementing agency for both the IBRD loan and HG-004 funds in support of slum up-grading activities within the interior of Tunisia. This preference will avoid duplication of administrative units. This proposed follow-on arrangement has been discussed with IBRD representatives during their various missions to Tunisia. They find the follow-on funding concept quite acceptable as does the Interior Ministry.

Compared to previous HG initiatives and the new IBRD projects for large coastal towns, HG-004 represents a pioneering effort to bring shelter improvements to residents of interior rural towns. This shift reflects the GOT's strategy to decentralize the benefits of development.

# TELEGRAM

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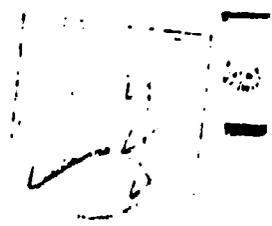
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TAGS:

SUBJECT: TUNISIA LOW-INCOME SHELTER PROGRAM P15, HC-004  
REF: TUNIS 4433

THE ADVISORY COMMITTEE HAS REVIEWED SUBJECT PID FOR DOLLARS 30 MILLION THE PROGRAM TO BE AUTHORIZED IN THREE TRanches OF DOLLARS 10 MILLION EACH STARTING 1 JULY 79, AND AUTHORIZES FURTHER PROGRAM DEVELOPMENT. MAJOR THEMES OF NEW PROGRAM WILL BE TO STRENGTHEN AND REINFORCE BOT PROGRAM INITIATIVES UNDERTAKEN UNDER CURRENT PROGRAM. IN THIS CONNECTION PROGRAM DEVELOPMENT SHOULD FOCUS ON FOLLOWING INSTITUTIONAL DEVELOPMENT ISSUES:

- A. EXTENSION OF SETTLEMENT UPGRADING PROGRAMS TO NEW AREAS IN TUNIS AND TO SECONDARY CITIES IN ORDER TO ASSURE DIRECTION OF CONTINUED INCREMENTS OF BOT RESOURCES INTO LOW-INCOME NEIGHBORHOODS.
- B. DESCRIPTION OF HOW THE KINDS OF ACTIVITIES PLANNED UNDER PROPOSED IMPROVEMENT PROGRAM FOR URBAN POOR (IPUP) IN PREPARATION FOR MELASSINE NEIGHBORHOOD CAN BE EXTENDED TO LOW-INCOME COMMUNITIES TO BE UPGRADED UNDER NEW PROGRAM.
- C. ISSUES TO WHICH CORE HOUSING PROGRAM WILL FURTHER INDICATE PROGRESS IN APPLICATION OF APPROACH.
- D. WITHIN THE PARAMETERS OF BOT POLICY, STEPS TO REDUCE THE IMPACT OF SUBSIDY WITHIN OVERALL SECTOR FINANCING.
- E. EXTENSION OF MINIMUM STANDARD, MINIMUM SUBSIDY CRITERIA WITHIN BOT POLICY PARAMETERS TO A RURAL HOUSING PROGRAM COORDINATED WITH DEVELOPMENT OF OTHER ECONOMIC ACTIVITIES IN RURAL AREAS.



(P) c -

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DISCUSSION OF INTERRELATIONSHIP BETWEEN PROPOSED PROGRAM AND (1) OTHER AID PROGRAMS IN UGANDA; AND (2) OTHER INITIATIVES, WHICH ARE BEING RESUMED AND APPEAR TO BE EXPANDED TO INCLUDE NEIGHBORHOOD UPGRADING ON BASIS OF AID SUCCESSFUL INITIATIVE IN MCLASSINE.

2. PROGRAM DEVELOPMENT TO BE UNDERTAKEN BY SER/M AND KHADO TUNIS WILL INVOLVE THE FOLLOWING STUDIES:

A. AN UPDATED SHELTER SECTOR ANALYSIS, WHICH WILL FOCUS INTER ALIA ON: (1) DETAILED INCOME AND EXPENDITURE ANALYSIS; DEFINITION OF TARGET GROUPS FOR PROPOSED PROGRAM COMPONENTS; (2) REVISIONS IN GOV HOUSING POLICY AND STRATEGY AS MAY BE REFLECTED IN NEW DEVELOPMENT PLAN; AND (3) ANALYSIS OF GOV SHELTER INSTITUTIONS RELEVANT TO PROPOSED PROGRAM.

B. A MID-PROJECT INTERIM EVALUATION OF THE EXISTING GOV PROGRAM, (SPRING 1978) USING CRITERIA TO BE DEVELOPED BY SER/M IN COLLABORATION WITH GOV, USAID/UGANDA AND THE HOME BUREAU.

3. KHADO/TUNIS WILL UNDERTAKE THESE STUDIES DURING FY 73, AND FOLLOWING COMPLETION OF THESE STUDIES AND PRIOR TO UNDERTAKING PREPARATION OF THE PP (FIRST QUARTER FY 73), SER/M WILL PRESENT BY DEC. 1973 A PROJECT DESIGN PAPER, WHICH WILL INCORPORATE THE FOLLOWING:

A. A STATEMENT OF THE RELATIONSHIP OF THE PROPOSED PROJECT TO AID'S SECTOR GOALS AND STRATEGIES..

B. A DETAILED PROJECT DESCRIPTION, INCLUDING THE SPECIFIC PROJECT OBJECTIVES, THE POLICY QUESTIONS TO BE RESOLVED WITH THE GOV AS CONDITIONS TO PROJECT APPROVAL (E.G. LOWER UNIT COSTS, LONGER REPAYMENT TERMS) AND A FULLER DISCUSSION OF WHAT NON-HOUSING SERVICES ARE PLANNED AND HOW THEY WILL BE IMPLEMENTED.

C. ANALYSIS OF PROJECT ISSUES, INCLUDING THE ASSUMPTIONS SET FORTH IN THE PID. IN PARTICULAR MORE INFORMATION IS NEEDED ON THE FEASIBILITY/DESIRABILITY/LOCAL INTEREST IN A RURAL HOUSING PROGRAM, A CLEARER DEFINITION OF WHAT IS MEANT BY RURAL, AND WHERE AND HOW THIS PROGRAM WILL BE IMPLEMENTED.

D. LOGICAL FRAMEWORK.

E. WORK PLAN FOR PREPARATION OF THE PP. VANCE

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## ANNEX F

### ILLUSTRATIVE CORE HOUSING PROTOTYPES

#### 1. Core Housing Concepts for Interior Towns

20 million of the proposed 50 million dollar loan will be used for construction of expandable core units on serviced lots in interior towns. The physical and socio-economic conditions in these towns differ markedly from those found in Tunis and the large coastal cities. They also differ from one region to the other. The expandable core units, while having certain common elements should not be identical. Regional differences in climate, soil conditions and the level of existing infrastructure as well as living patterns of the target population should be recognized in unit design and layout, in designation of construction materials and in the inclusion of technical innovations such as solar heating or composting toilets. In general, the units should be as basic as is feasible within the constraints outlined above in order to make them affordable to the target population. Usually this will mean that a readily expandable, fully serviced core unit will be provided, consisting of a toilet and a kitchen plus one sleeping/living room within a walled compound. Provision should be made in the design for expansion by the addition of several rooms which can be built in stages. Visits to several sites where core unit projects have been built within the past three years indicate that expansion is likely to take place rather quickly after the family moves in, particularly in Sidi Bouzid and Gafsa where original core units were almost unrecognizable after the first year. Thus it is imperative that unit layouts facilitate these conditions.

#### 2. Basic Core Unit Costs

An analysis has been conducted of the various unit plans currently being built in the four SNIT regions including those constructed under the rural housing program. The unit plans proposed for the IBRD-sponsored project in Sfax were also included in the review as was the unit being constructed by the Ministry of Equipment's Centre de Logements Experimentaux.

While the rural units as they are presently being built may not be suitable for urban settings, much can be learned from examining experience with construction, sale and modification of these units. Lot size is remarkably consistent ranging from 100 to 110 square meters. The initial rural unit, while built in various configurations, consists of: a turkist type toilet connected to a dry pit (puits perdu), an enclosed sleeping/living area ranging from 14.4 to 16.74 square meters total (some are one room, others are divided into two smaller rooms), and a covered but not enclosed kitchen, a sink and counter top against one wall of the court yard. Actual 1979 construction costs for these rural units range from 1,000 to 2,000 dinars. This price does not include acquisition of the land or the costs of subdividing and servicing the lots. The units are provided with neither plumbing nor electricity.

The land if acquired from private owners would cost somewhere between one and three dinars per square meter, raising the cost of these units by 100 to 330 dinars. Land development costs including grading for roads and

drainage, paving of principal roads and extension of waterlines but excluding sewer lines would add about 500 - 550 dinars per lot except in (1) Sidi Bouzid which has drainage and foundation problems due to the high ground water table and (2) Beja and le Kef which have steep, rocky sites. The addition of water and electrical hook ups, water supply and drainage lines, a water tap in the kitchen and the W.C., and minimal electrical fitting would cost an additional 140 - 150 dinars. Thus the adjusted costs of the rural units currently being built is between 1,740 and 2,130 dinars

These costs still do not include a wall around the courtyard. When the rural type units are built on the edge of town the first priority appears to be to construct an enclosing wall. If sufficient funds are not available to construct the wall immediately, temporary enclosures are set up to screen the kitchen area and the entry to the house. Thus it would seem that the courtyard enclosure is considered even more important than a second room.

### 3. Proposed Southern Unit

In Gafsa, SNIT officials have modified the typical rural unit layout in response to user preferences. One room units are now being built, since practice showed that many families took down the wall which separated the two small rooms to make one larger one. The location of the toilet was also changed to provide greater separation when it was discovered that many families covered over the toilet and built a new one on the opposite side of the courtyard. This would suggest a preference for the traditional courtyard oriented house where circulation between rooms is outside and much of the family activity takes place in the courtyard. The IBRD study of the Sfax medina and the subsequent proposal for expandable core unit houses reinforces the idea that this style of living remains prevalent in southern Tunisia. Figure I illustrates an expandable unit plan suitable to the climatic conditions and living patterns of the south. The cost for the initial phase should be no more than that of a rural house fully serviced, or about 1,900 dinars. While this unit is particularly suited to Gafsa, it may well be preferred by some part of the target population in other towns as well. A full market analysis should be conducted before the precise number and distribution of units are set.

### 4. Proposed Northern Unit

For those towns in the mountainous northern region of the country, Siliana, Jendouba, Beja, le Kef, and Tabarka climatic conditions suggest that alternatives to the unit designs now being built should be considered. An innovative application of solar design technology will substantially improve living conditions of the target population in this area where winter months are cold and damp and where fuel costs are prohibitive for lower income families. Present unit design and construction practices in this cold, humid area are regrettably not much different from those applied in the hot arid parts of the country. Thus, families are living in damp rooms where inside temperatures remain below 50°F for several months of the year and often reach the lower thirties. Quite predictably respiratory infections are common. Figure 2 illustrates an expandable core unit warmed by the heat trapped in a greenhouse-like, southern exposure courtyard. In summer months, the greenhouse panels must be shaded and partially opened for

circulation. Otherwise, no maintenance is required. The cost of a passive solar heating system should not exceed 200 dinars. Labor costs are higher in the northern region than in either the central or southern regions. Thus the cost of construction may be as much as 10% higher than the unit proposed for the south although some savings can be realized in the construction of the south wall of the core unit which should not be heavy masonry as rapid heat transfer is desirable. Thus the total cost of the proposed northern core unit, including the solar heating, should not exceed 2,300 dinars.

#### 5. Proposed Central Unit

For the towns in the central region no single unit plan can be recommended on the basis of climatic or other physical conditions. Standard construction practices followed throughout Tunisia are suited to this area. Thus, it is not so much physical differences as variations in living patterns and cultural expectations which suggest a third type of expandable core unit. This unit, illustrated in Figure 3, is aptly designated by SNIT as the "Suburban" plan.

While still well suited to the traditional Tunisian living pattern it can serve well as a transition to the more urban Tunisian lifestyle where outdoor space is separated between a decorative frontyard and a more functional rear court. The plan is particularly well suited to families with previous urban experience and may well match the expectations of many of the families moving to Sidi Bouzid and Kasserine. Evidence of urban preferences in living patterns was found in Kasserine where residents of SNIT units with central courtyards (rural living pattern) had covered their courtyards, effectively turning them into an interior room with clearstory lighting, a type of central hallway eliminating exterior circulation but also eliminating all exterior space. While not desirable, this option was considered preferable by the occupants to living in the open-courtyard style house which they viewed as too rural.

The lots for the central region prototype would range from 75 square meters for the two story plan to 85 square meters for its one story variation. The costs of building these units are well known in the Tunis area where it currently costs about 2,300 dinars. Costs in Kasserine and Sidi Bouzid are not likely to be appreciably lower.

#### Summary

The above variations in unit design offer an opportunity to produce core units well suited to the physical and cultural needs of the target group. The exact mix of unit types built in each town will be determined on the basis of detailed market studies conducted as a part of the project development process.

Construction materials and techniques should follow standard Tunisian practices which are described in a separate report except where the introduction of solar heating technology requires special modifications. It is also possible to equip any of the three unit designs with either a dry pit privy, a compost toilet or a turkish style flush toilet connected to a central sewer system. The advantages and cost implications of these waste treatment alternatives are discussed in Annex L. All unit costs in this report assume the use of dry pit privies. If composter toilets are planned, costs would rise an additional 200 dinars per house.

# FIG:1-LOGEMENT EVOLUTIF

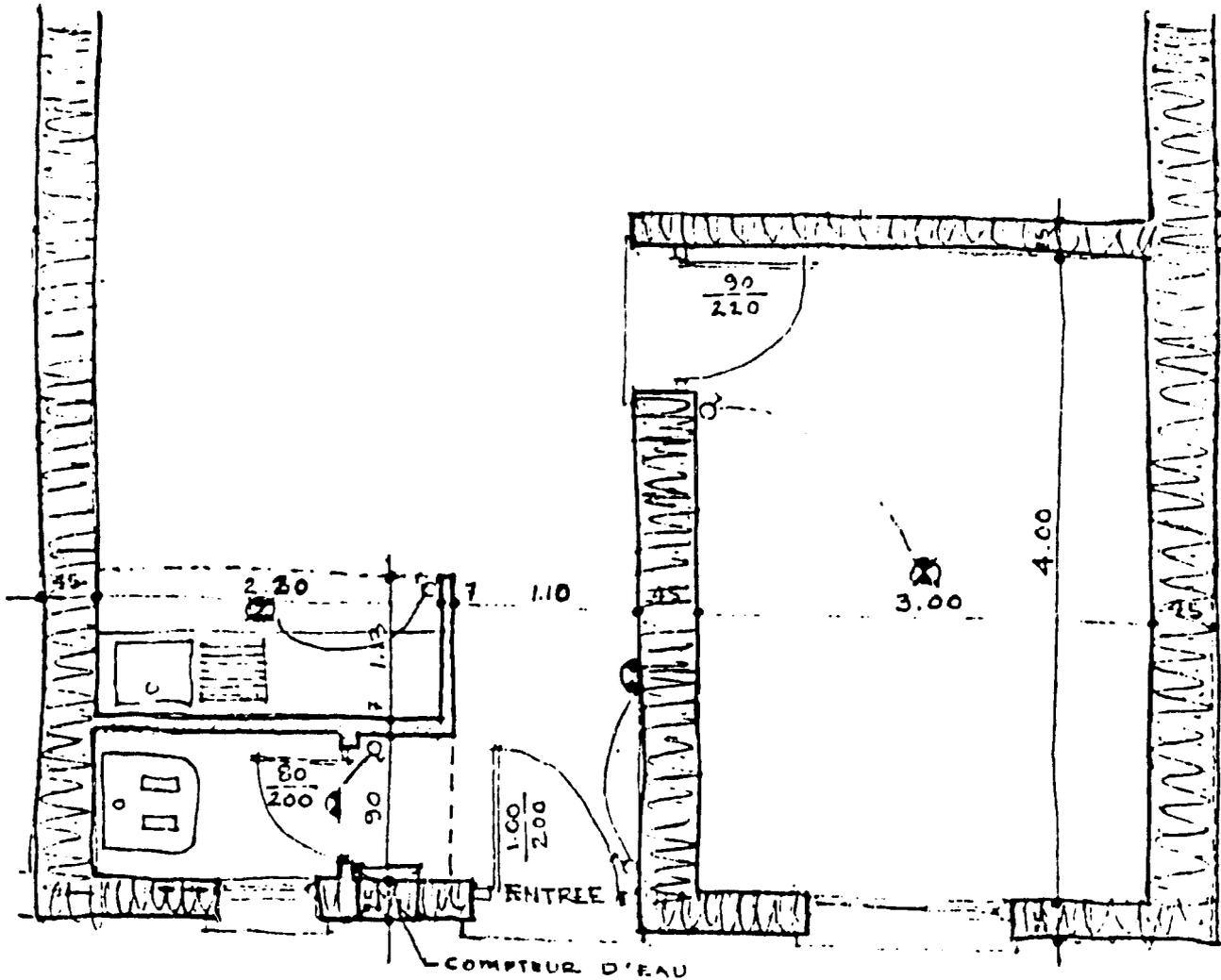
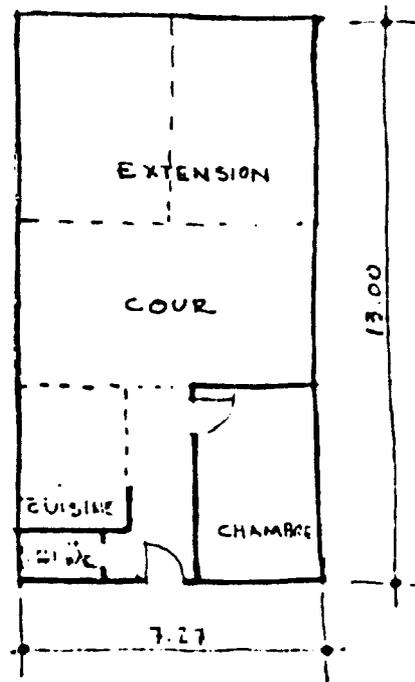
## TYPE - SUD

Lot 94.51 m<sup>2</sup>

1<sup>ER</sup> Etape 16.62 m<sup>2</sup>

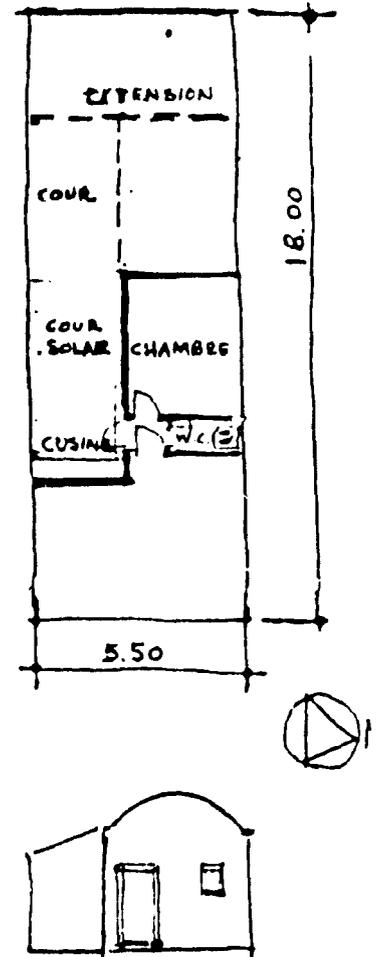
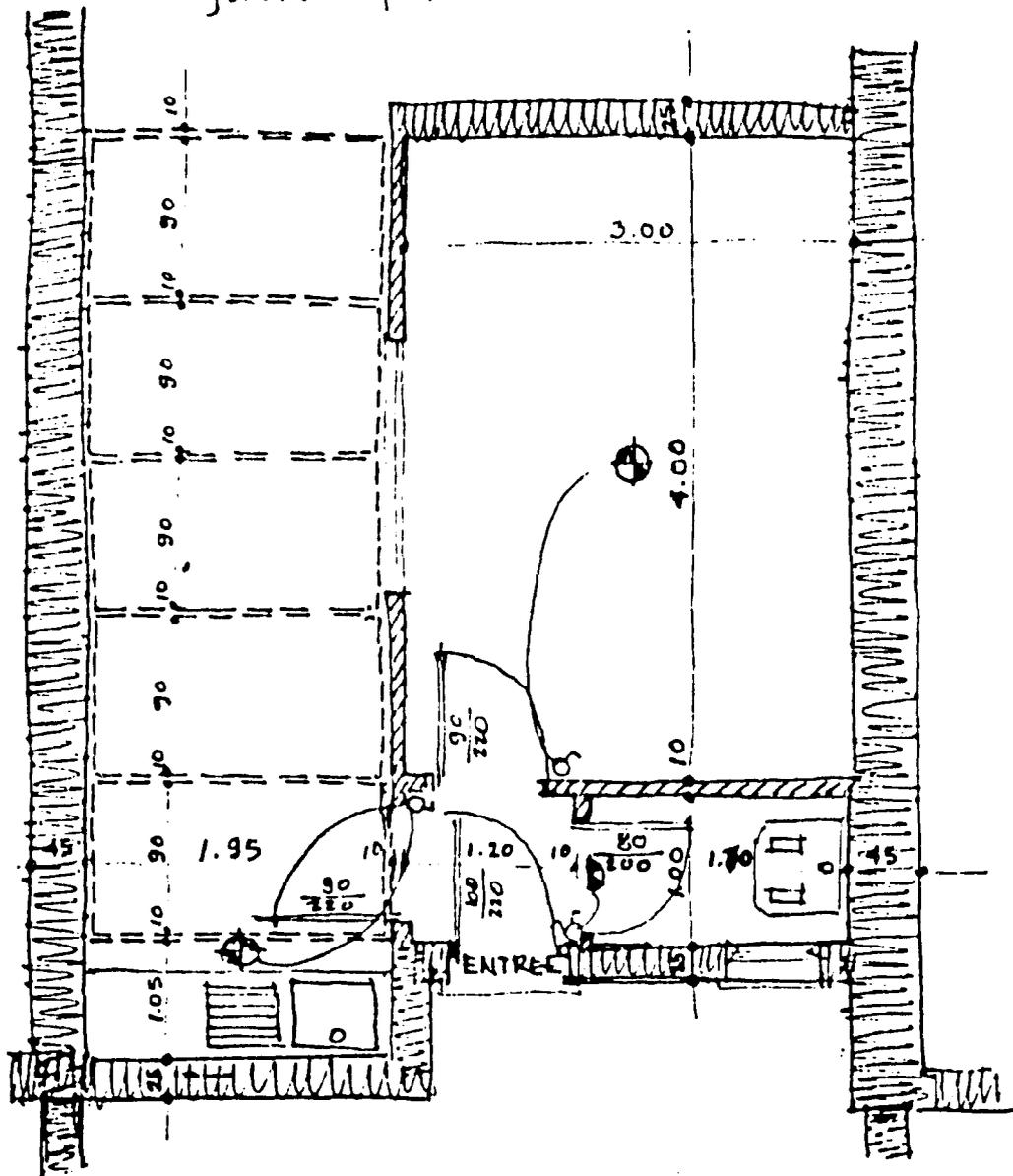
Extension 37.66 m<sup>2</sup>

Logement Complet 54.28 m<sup>2</sup>



# FIG.2- LOGEMENT EVOLUTIF TYPE - NORD

Lot	99.00m <sup>2</sup>
1 <sup>ER</sup> Etape	17.00m <sup>2</sup>
COUR SOLAIRE	19.50m <sup>2</sup>
Extension	2.10m <sup>2</sup>
Logement Complet	63.50m <sup>2</sup>

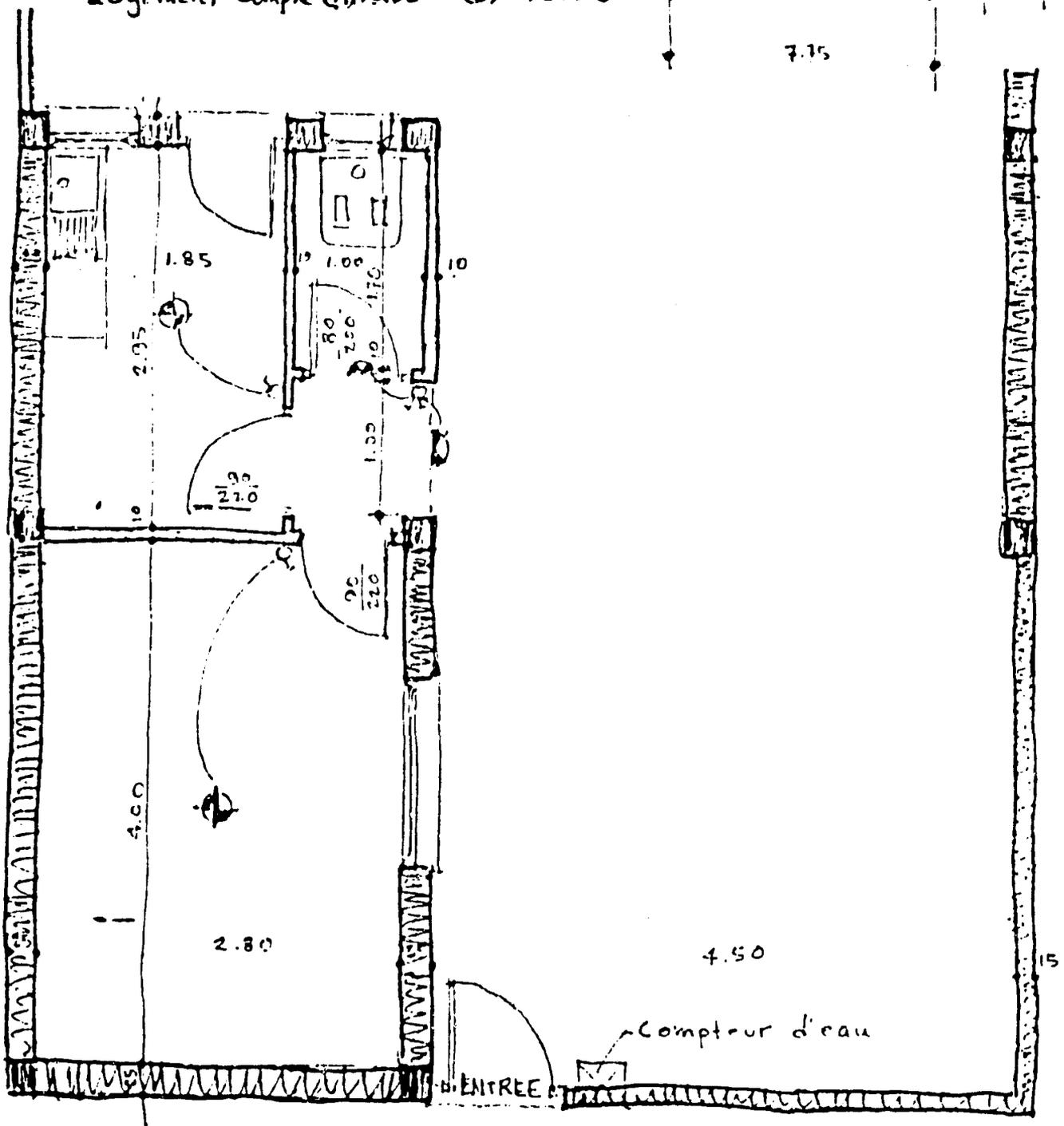
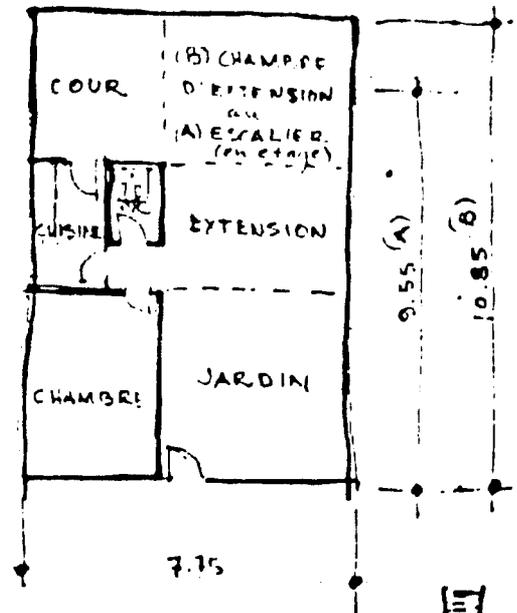


# FIG.3- LOGEMENT EVOLUTIF

TYPE - SUBURBAN

Lot (A)	74.01m <sup>2</sup>
Lot (B)	84.09m <sup>2</sup>

1 <sup>re</sup> Etape	19.46m <sup>2</sup> (B)	19.46m <sup>2</sup>
Extension (A)	54.22m <sup>2</sup> (B)	27.50m <sup>2</sup>
Logement Comple	(A) 73.68m <sup>2</sup>	(B) 46.96m <sup>2</sup>



ANNEX G  
IDENTIFIED POTENTIAL UPGRADING SITES AND  
COST ESTIMATES

GOVERNORATE	COMMUNE	NEIGHBORHOOD	EST. INHABITANTS	EST. HOUSEHOLDS	EST. LOTS	EST. HECTARES
1. Kasserine	Kasserine	Cité Ekhabra	2,500	500	500	12.50
2. Jendouba	Jendouba	El Battah	300	70	56	1.40
3. Beja	Beja	Sidi Fraj	3,000	500	400	10.00
4. Le Kef	Le Kef	Sidi Ahmed Cherichi	3,500	473	400	10.00
5. Jendouba	Bou Salen	Cité Hached	1,000	219	175	4.38
6. Gafsa	Gafsa	Centre Ville	2,230	424	340	8.5
7. Jendouba	Tabarka	Rejarbia	1,000	200	160	4.0
8. Kasserine	Kasserine	Cité Ezouhour	13,000	3,000	2,500	62.5
9. Jendouba	Jendouba	Ras de Kef	3,000	420	336	8.4
10. Jendouba	Tabarka	El Karaimia	1,000	250	200	5.0
11. Beja	Beja	Mazara H.	5,000	800	500	12.5
12. Jendouba	Jendouba	Zoghardia	2,500	600	480	12.0
13. Jendouba	Bou Salen	La Berbaa	3,000	600	480	12.0
14. Jendouba	Tabarka	Ain Mezzouz	1,500	300	240	6.0
15. Kasserine	Kasserine	Cité Ennour	13,000	4,000	3,000	75.0
16. Jendouba	Tabarka	El Armel	5,000	1,000	800	20.0
17. Jendouba	Bou Sulem	Cite Medi Khelil	1,700	347	278	6.96

Estimated Costs for Upgrading

	D	\$	Per
Streets and ways	160	384	Lot
Electricity and Hook-up	50	120	Lot
Public Lighting and Electrical	1,400	3,360	Hectare
Sewers and Hook-up	200	480	Lot
Water and Hook-up	100	240	Lot
Cadastral Registration	18	43	Lot
Management	1,450	3,480	Hectare
Public Garage and Maintenance Center	520	1,248	Hectare

Note: Pursuant to detailed implementation studies revisions will be made on a site-by-site basis to reflect differences in infrastructure, topography, utility, and community characteristics.

## ANNEX H

### ANALYSIS OF THE UNSALARIED HOUSEHOLD

#### Background

The upgrading neighbourhoods while differing in their social and economic characteristics all share the common problem of employment generation. Each of the major interior cities has a highly active informal sector which accounts for the majority of the enterprises operating. This sector as defined within the Tunisian context consists of establishments in commerce, manufacturing, and services employing less than ten persons. From what is known about the employment structure in the cities of the interior, it can be inferred that the proportion of non-salaried workers is certainly higher than the national average.

The Project's target group as defined by the GOT includes such occupational categories as traditional and modern artisans, owners of small-businesses, self-employed agricultural and construction workers, skilled and semi-skilled laborers in the informal production, commercial and service sectors. Regrettably no specific data exist relating occupational structure to income levels in the secondary urban centers.

#### Income Levels

The GOT's Institut National de Statistiques (INS) recently conducted a survey of small enterprises. Results show that the wages paid in this sector allow the majority of the workers to earn more than the minimum wage (45 D) with the exception of apprentices. However, the range of wages, in this sector, does not rise much above 80 TD per month. It should be noted, however, that there is an average of 1.5 persons working per household, and therefore total household income is higher than wages earned by the head of the household. Income distribution for 1979 shows that this 45 D to 80 D income range corresponds approximately to the 25th to 50th percentiles in small Tunisian towns. Hence, the GOT's target group definition of the "irregularly employed" reflects rather well the median income limitation required for AID beneficiary eligibility.

#### Formal Employment Services

The opportunity for stimulating these businesses and creating employment exists. However, the National Employment Office's (OTTEFP's) activities in the training field have not shown much promise in the placing of applicants. Programs for making credit available through the Fond pour la Promotion de Developpement Industriel (FOPFODI) tend to bypass the smaller businesses which generally obtained credit from informal sources.

### Potential for Savings Mobilization

If CNEL is to attract more savers in the secondary urban centers, it will clearly have to promote its efforts towards those groups who are not salaried since they account for such a significant segment of the total working population (yet not more than 6% of CNEL savers). CNEL's lowest income savers (categories A and B) also represent potential clients for the core units. While these savings categories do not necessarily reflect that these clients are within the 40 to 80 TD income range, in the case of at least half of those surveyed in 1977, their incomes were below median. Also A & B savings categories represent from 20% to 60% of current CNEL savers in the towns under consideration.

The actual level of monthly payments for shelter in Tunisia is about 20% of the gross income of the household. It is expected that the "unsalaried" beneficiaries would accept a 25% "rule-of-thumb" if extended the right to normalize their shelter situation and become residential property owners. The actual maximum indebtedness allowable for CNEL's contract savings beneficiaries is one-third of income.

### Existing Socio-Economic Data Base

Only Beja has undertaken a socio-economic survey of residents in Sidi Fraj, the results of which have yet to be published. A survey by the Institut National de Statistique (INS) of all small businesses has been undertaken for all Tunisian urban centers. Results will be published within a few months. Therefore, the task of establishing the number of enterprises and types has already been performed. Further study needs to be undertaken through IIPUP technical assistance in this field since the coordination of activities and the use of information on employment opportunities and the possibilities of expanding or encouraging enterprises is noticeably lacking. Preliminary data from the INS survey of small enterprises suggest that labor shortages exist in this area, and in effect, these enterprises provide invaluable training since they rely primarily on apprentices.

INITIAL ENVIRONMENTAL EXAMINATION

## TUNISIA - NATIONAL LOW-COST SHELTER PROGRAMS

(AID HOUSING GUARANTY PROGRAM 664-HG-004)

**I. BACKGROUND INFORMATION****A. DESCRIPTION OF PROPOSED PROGRAM ACTIVITIES**

The Project will make available long-term mortgages on terms affordable by the target population to enable the GOT to extend its housing assistance programs to small but rapidly growing towns in the interior of the country. Each of these initially selected towns: Sidi Bouzid, Gafsa, Kasserine, Jendouba, Siliana, Beja, and Le Kef, is a governorate administrative center for the various ministries of the GOT. Each serves as headquarters of the regional Governor who is appointed the central government and has broad regional development responsibilities. In the last few years employment opportunities have increased in all of the seven towns as new industries appropriate to the regional resource base have been established. The populations have increased accordingly and the demand for housing is high. In response to these conditions the Project is expected to be for 50 million dollars in two authorizations of twenty-five million each. The distribution of funds among the major program components is expected to be approximately as follows:

	<u>1st Authorization</u>	<u>2nd Authorization</u>
Core Units	\$15.0 M	\$ 5.0 M
Sites and Services	\$ 2.5 M	\$ 0 M
Construction Loans	\$ 2.5 M	\$ 2.5 M
Home Improvement Loans	\$ 2.5 M	\$ 2.5 M
Neighborhood Upgrading	<u>\$ 2.5 M</u>	<u>\$15.0 M</u>
Total	\$25.0 M	\$25.0 M

In addition, a technical assistance component will be developed to support program activities. Each of the proposed program components is described below.

**1. Core Units--**

Twenty million of the 50 million dollar loan will be used to build approximately 3,500 basic core housing units which are expandable in several stages on fully serviced lots. While the specific unit design, lot size and type of construction

may vary from one region to the other, the basic core unit will be one sleeping/living room plus a kitchen and a toilet. Waterborne sewage systems are practically non-existent in the seven towns, thus a pit privy (dry toilet) or a compost toilet will most likely be used.

2. Sites and Services--

This component is intended as an experiment specially designed to demonstrate to the GOT the feasibility of developing and selling fully serviced lots to individual low-income families in areas of the country where autoconstruction is still common. Each family will be expected to build its own house, most likely with assistance from the construction loan component of the program. The 2.5 million dollars allocated to this component will finance about 1,700 serviced lots averaging 100 square meters; land costs and site characteristics, particularly drainage, are the principal variables in determining the final number of lots.

3. Construction Loans--

Five million dollars has been set aside for construction loans to enable eligible borrowers, many of whom will be purchasers of the serviced lots, to build their own houses. At least 900 construction loans could be made with the money allocation.

4. Home Improvement Loans--

Five million dollars has been set aside for small loans to assist eligible borrowers, particularly those living in the up-grading neighborhoods. At least 1,300 loans could be made initially with these funds. As they will be paid on short terms, the funds can be relent several times, thus affecting many more families.

5. Neighborhood Upgrading--

Seventeen and one half million dollars has been estimated for upgrading of infrastructure and services in several existing communities. All specific areas have not been identified at this time. The improvements would most likely include:

- a. grading and surfacing of streets and pedestrian paths to accommodate buses, fire trucks, garbage collection and market activities;
- b. grading of roads and walkways to provide drainage of surface water;

- c. Extension of potable water supply system to all units and provision of fire hydrants;
- d. installation of a network of street lighting and individual electrical connections where they do not already exist.

**Technical Assistance:**

In the course of project implementation, assistance will be provided in the following areas:

- a) home improvement and construction loan management plus savings mobilization
- b) technical assistance to advise on passive solar heating design and installation and maintenance of composting toilets
- c) management support to small town technical divisions

**B. DESCRIPTION OF LIVING CONDITIONS OF THE TARGET POPULATION**

The majority of Tunisian families live in one-room houses or in one-room of a house shared with another family. Much of the family activity takes place outdoors within the privacy of a walled courtyard. Although the size of the courtyard and the uses it serves vary from region to region, the traditional inward-oriented house type predominates throughout the country. The walls of the house are always masonry. Stone construction predominates in the mountainous areas where it is readily available. In other areas brick or hollow clay tiles are used. As wood is quite scarce the roof is usually either a brick vault or a flat reinforced concrete slab. In rural areas of the north where some forests exist, mud and twig roofs are occasionally found. Generally, however, Tunisian families, even those at the lowest end of the income scale, live in houses built of permanent materials. Lower income areas can generally be distinguished by the lack of lime plaster and whitewash paint on the exterior of the house and courtyard walls which line the streets as well and by the inferior level of infrastructure and services such as street paving, drainage, water lines and trash collection.

In the south, the heavy masonry construction is well suited to the hot, dry climate. In the more humid northern areas where winter temperatures fall below freezing, the heavy masonry walls hold the dampness, and the small windows admit little sunlight. In these areas, respiratory problems are common among lower-income families who can not afford expensive fuel to heat their houses.

## II. ENVIRONMENTAL EXAMINATION

### A. SUMMARY OF CRITICAL CONCERNS

In extending governmental housing programs on a substantial scale to small towns in the interior of Tunisia a number of potential environmental concerns have been reviewed. Water supply, waste disposal, site selection and unit design have been identified as critical in the context of the proposed program activities outlined in Section I.

### B. DISCUSSION OF SPECIFIC ISSUES AND POTENTIAL IMPACTS OF THE PROPOSED HOUSING PROGRAM

#### 1. Water Supply--

The water resources of Tunisia are reasonably well known both with respect to quality and extent. As in most arid climates water is often the critical resource, the limiting factor in the development process. The relatively abundant surface water in the northern region has almost all been captured for local agricultural use and for domestic use in Tunis and other cities in the area. Underground aquifers are the only source available to support the towns to be included in the proposed program. Figure 1 shows the present locations of the potable water supplies for all communities in Tunisia while Figure 2 shows the location of known underground aquifers. A cursory look at Figure 2 would indicate an abundance of underground water near each of the towns in the proposed program; yet it should be noted from Figure 1 that these reserves often serve distant cities as well as local demands. For example, the small basins near Siliana are part of a vast network serving Tunis, and the apparently ample aquifer to the north of Kasserine is practically the sole source of supply for Sfax and Sidi Bouzid. Thus, consideration must be given to the prospect that water supplies may not be adequate for anticipated growth in some of these towns. Even where absolute shortages are not likely, increased per capita consumption should be minimized. Table 1 summarizes consumption of potable water in each of seven communities. The 1975 figures are actual consumption based on data from SONEDE (The National Water Authority). While Sidi Bouzid shows the lowest per capital consumption, its population has tripled since 1975. Assuming a constant level of per capita usage, the total domestic consumption for Sidi Bouzid would be about 230,000 m<sup>3</sup> for 1979. Were per capita consumption in Sidi Bouzid to rise to the level of nearby Kasserine, total 1979 domestic consumption would exceed 450,000 m<sup>3</sup>. Thus it is critical to minimize

TABLE 1. CONSUMPTION OF POTABLE WATER AND NUMBER OF CONNECTIONS

Town	1975 Pop.	Number of Connections				Consumption 1975 (m <sup>3</sup> /year)				Total Inhab. /Conn.	Daily Dom. Consump. /Conn.	Daily Dom. Consump. / Inhab.
		Total	Dom.	Ind	Tour	Total	Dom.	Indust	Touristic			
BEJA	41,134	3,878	3,666	23	1	1,677,871	492,924	779,785	211	11,270	0.368	0.0326
JENDOUBA	20,937	3,241	3,071	8	1	757,483	394,858	8,546	8,387	6,818	0.352	0.0516
LE KEF	30,745	2,762	2,617	5	8	761,186	320,470	7,594	4,311	11,748	0.355	0.0285
SILIANA	7,302	789	754	1	-	109,019	80,992	867	-	9,684	0.294	0.0303
KASSERINE	25,148	2,811	2,697	6	3	723,535	373,095	12,777	6,744	9,324	0.3790	0.0406
SIDI BOUZID	9,983	645	573	5	3	215,836	77,475	5,136	1,289	17,422	0.3704	0.0213
GAFSA	45,300	4,592	4,364	18	10	1,038,573	573,048	18,107	57,549	10,380	0.3598	0.0346

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increased per capita consumption of potable water in those areas where supply is limited. It appears that all the interior towns of Tunisia have some limitations on water supply, thus the program should avoid actions likely to substantially increase utilization.

## 2. Waste Disposal--

The disposal of human waste may well be the most critical problem to be overcome in the program. Waterborne sewage systems, where they exist, are not extensive in the smaller towns in the interior. A national sewage study prepared in 1978 by a Dutch engineering firm for ONAS, the National Sewerage Authority, analyzes need, sets criteria for establishing priorities and outlines an ambitious program. The first phase includes provision of sewage connections to 90% of the houses built after 1978 and 80% of those already existing in 18 towns by 1983. Cost of this phase is projected at 102.6 million dinars (about 250 million dollars). Funds for this effort are being sought as part of the VIth Development Plan but are not yet assured. If fully implemented, this phase of the ONAS program would affect only three of the seven towns so far identified in the HG program: Kasserine, Gafsa, and Le Kef. Though it is expected that these towns may have waterborne sewage systems in the foreseeable future, the extension of waterborne sewage systems may not in fact be advisable as it will undoubtedly have a significant effect on water consumption and thus on water supply in regions where sources are limited. It should also be noted that the ONAS Plan does not anticipate treatment of wastes in any of the towns in the interior although the need for such treatment is critical to avoid contamination of groundwater. Thus, the critical question is how to dispose of human waste in towns lacking centralized collection and treatment without polluting the underground aquifers which provide the community with potable water. An interim solution with long-term as well as short-term benefits is to separate human excrement (night soil) from wastewater. By adopting one of the self-contained waterless toilet systems, night soil is rendered odorless and harmless through a composting process which produces a humus material similar to peat moss. Thus, the principal source of groundwater contamination is eliminated. Wastewater from cooking and washing may be discharged into a combined storm water drainage system with considerably reduced risk of contaminating the underground aquifer. In the long term, the cost of treating waste water will also be greatly reduced having eliminated or drastically reduced the night soil load.

### 3. Site Selection--

Selection of the location for new housing projects whether they be serviced lots or core housing units, can be critical in determining the effects of the project on the environment. The protection of aquifer recharge areas is vital, and the preservation of agricultural land is also of primary importance. Each of the towns has a master plan indicating areas of new development. The sites proposed for HG-financed units will be consistent with these plans but will also be evaluated by AID on the basis of environmental as well as social and economic criteria as outlined in the Project Paper.

### 4. Unit Design--

The expandable core units, while having certain common elements, will not be the same. It is critical that regional differences in climate, soil conditions, and the level of existing infrastructure in the town as well as living patterns of the target population be recognized in unit design and layout as well as in designation of construction materials and in the inclusion of technical innovations, such as solar heating or composting toilets. In general, the units will be as basic as is feasible in order to make them affordable by the target population. Usually this will mean that an expandable, serviced core will be provided consisting of a toilet and kitchen plus one sleeping/living room within a walled compound. Provision will be made in the design for expansion by the addition of several rooms. Experience has shown that expansion will happen rather quickly after the family moves in; thus it is essential to structure the units properly to facilitate these additions. Three basic plans will probably be used with variations from these. One will be an open, outdoor-oriented plan suited to the towns of the south. One will be more inward oriented, designed specifically to use passive solar heating technology to meet the harsh demands of the colder, humid regions in the north. The third plan may be somewhat larger in its initial phase, but on smaller lots with less expansion potential. This unit will be intended for the more urbanized functionaries within the target population, those less able or less willing to build additional space for themselves. Any of the three basic units can be built with the composting toilet, with connections to a waterborne sewer, or with a dry pit privy as circumstances dictate.

The variation available in this program offers an opportunity to produce projects well suited to the physical and cultural needs of the target group. It will therefore be critical to identify carefully and accurately the target population in each town during project design.

### III. RECOMMENDATIONS

#### A. THRESHOLD DECISION

The Initial Environmental Examination indicates several areas where the proposed activities might cause a significant effect on the human environment. Thus, a Positive Determination is recommended for Tunisia HIG-004 requiring further Environmental Assessment as the project develops.

#### B. SUBSEQUENT ENVIRONMENTAL ANALYSIS

Additional investigation of the four critical areas of environmental concern identified in the IEE should be treated in the following manner:

##### 1. Water Supply--

The project design team should be instructed to modify the project as needed to minimize the increase in water consumption, particularly in those communities where sources are already being heavily exploited. This will be particularly important in establishing the type of infrastructure to be included in each regional sub-component (upgrading, sites and services, and core units) of the project.

##### 2. Waste Disposal--

Project design should incorporate effective non-polluting disposal of human waste. The dry composting toilet seems like an appropriate method, but this should be explored further during the design process. If this innovative technology is incorporated into the actual project, technical assistance will be required to see that it is properly installed and understood by those who will be using it.

##### 3. Site Selection--

The actual choice of sites will most likely take place long after the Project Paper is prepared and the project approved. Thus AID participation in the selection of sites should be reserved in the Implementation Agreement. Development of site selection guidelines and review of actual sites proposed by the GOT should be a part of the scope of the technical assistance services provided to the project.

#### 4. Unit Design--

Examples of unit designs such as those described in Annex F should be developed by the implementing agencies. Site layout particularly orientation for sun and wind, will be equally important however, and can only be done at a much later stage after project approval. Thus the technical assistance component of the project should also include drafting of site design guidelines and site design review. Detailed surveys should also be undertaken of the target populations in each town to determine the appropriate mix of unit types to be built.

## ANNEX J

Distribution of Monthly Household Income in  
Tunisia's Small Towns<sup>1</sup>

Percentile	INCOME LEVELS IN TUNISIAN DINARS			
	1975	1979 <sup>2</sup>	1981	1983
61.4	70.583	96.029	112.008	130.642
60	X	93	108.475	126.525
50	X	76	88.646	103.397
49.8	55.458	75.451	88.006	102.647
45	X	68.5	79.898	93.193
40.1	45.375	61.733	72.006	83.985
35	X	55.5	64.735	75.507
30	X	49.5	57.737	67.344
28.5	35.292	48.014	56.010	65.322
25	X	43	50.155	58.501
20	X	36	41.990	48.977
16.4	22.688	30.866	35.004	41.903
3.1	7.563	10.289	12.002	13.998

1

Average Household Size of 6.05

Assuming 8% annual increase.

Developed from INS Report on Household Expenditures, 1975. (pp. 112, 123, 107, 127)

Factors:

1979 - 1.3605

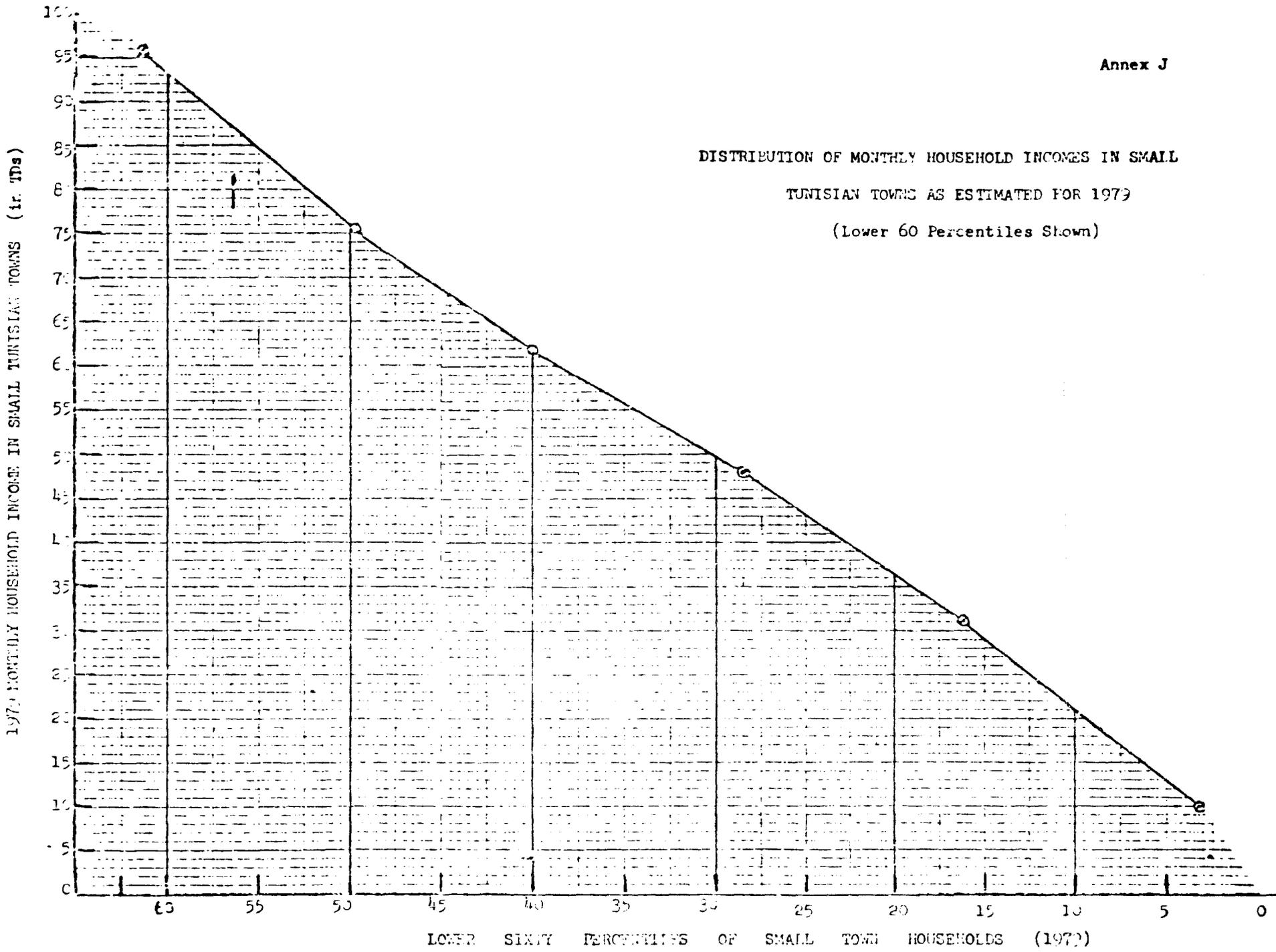
1981 - 1.5869

1983 - 1.8509

2

Rounded figures extrapolated from Income Distribution curve.

DISTRIBUTION OF MONTHLY HOUSEHOLD INCOMES IN SMALL  
TUNISIAN TOWNS AS ESTIMATED FOR 1979  
(Lower 60 Percentiles Shown)



## ANNEX K

## 004A ESTIMATED PROJECT CASH FLOW EXPRESSED IN DOLLARS

PURPOSE	BORROWED @10% 10 Grace 20 Repay \$ Thousands (Semi-annual)	LOANED \$ Thou- sands (monthly)	TERMS	REFLOWS - DEBT SERVICE = SURPLUS (DEFICIT)						TOTAL
				YEARS						
				1 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	
Operating	15,000	14,526	15 % 6.0%	7,405 - 7,500 (95)	7,405 - 7,500 (95)	7,405 - 8,742 (1,337)	7,405 - 8,742 (1,337)	7,405 - 8,742 (1,337)	7,405 - 8,742 (1,337)	44,430 - 49,963 (5,533)
Revenues	2,500	2,436	10 % 6.0%	1,623 - 1,250 373	1,671 - 1,250 421	2,285 - 1,457 828	2,287 - 1,457 830	3,756 - 1,457 2,299	5,287 - 1,457 3,830	17,659 - 8,323 9,336
Structures	2,500	2,437	15 % 6%	1,234 - 1,250 (16)	1,234 - 1,250 (16)	1,234 - 1,457 (223)	1,234 - 1,457 (223)	1,234 - 1,457 (223)	1,234 - 1,457 (223)	7,104 - 8,323 (1,219)
Services	2,500	2,437	5 % 6%	2,827 - 1,250 1,577	4,556 - 1,250 3,306	3,507 - 1,457 2,050	16,901 - 1,457 15,444	34,816 - 1,457 33,359	73,511 - 1,457 72,054	141,313 - 8,323 132,990
Maintenance	2,500	1,972	20 % 6.5%	882 - 1,250 (368)	882 - 1,250 (368)	882 - 1,457 (575)	882 - 1,457 (575)	882 - 1,457 (575)	882 - 1,457 (575)	5,292 - 8,323 (3,031)
Net Profit	25,000	23,908		1,950 (479) 1,471	4,027 (479) 3,548	7,978 (2,135) 5,843	16,924 (2,135) 14,789	35,658 (2,135) 33,523	75,804 (2,135) 73,749	142,321 - 9,493 132,828

ANNEX K

004B ESTIMATED PROJECT CASH FLOW EXPRESSED IN DOLLARS

SOURCE	BORROWED @ 10% 10 Grace 20 Repay \$ Thousands (semi-annual)	LOANED \$ Thousands (monthly)	TERMS	REFLOWS - DEBT. SERVICE = SURPLUS (DEFICIT)						TOTAL
				YEARS						
				1 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	
Core housing	5,000	4,873	15 e 6%	2,467 - 2,500 (33)	2,467 - 2,500 (33)	2,467 - 2,914 (447)	2,467 - 2,914 (447)	2,647 - 2,914 (447)	2,467 - 2,914 (447)	14,302 16,656 (1,354)
Home improvements	2,500	2,436	10 e 6%	1,623 - 1,250 373	1,671 - 1,250 621	2,285 - 1,457 828	2,857 - 1,457 1,380	3,756 - 1,457 2,299	5,287 - 1,457 3,830	17,659 3,322 9,331
Construction	2,500	2,440	15 e 6%	1,235 - 1,250 (15)	1,235 - 1,250 (15)	1,235 - 1,457 (222)	1,235 - 1,457 (222)	1,235 - 1,457 (222)	1,235 - 1,457 (222)	7,410 3,322 (412)
Trading	15,000	14,625	20 e 6.5%	6,542 - 7,500 (958)	6,542 - 7,500 (958)	6,542 - 8,742 (2,200)	6,542 - 8,742 (2,200)	6,542 - 8,742 (2,200)	6,542 - 8,742 (2,200)	39,252 48,943 (9,691)
Net surplus (deficit)	25,000	24,374		373 (1,006) (633)	621 (1,006) (385)	828 (2,859) (2,031)	1,380 (2,869) (1,489)	2,299 (2,869) (570)	3,830 (2,869) 961	9,331 (13,483) (4,152)

## ANNEX L

### REPORT ON APPLICATION INNOVATIVE TECHNOLOGY

Traditional housing practices in Tunisia are for the most part well suited to the physical constraints of the natural environment and to the cultural patterns of the inhabitants. However, an analysis of current housing activities reveals areas where adjustments should be made to better meet regional variations in the environmental setting and changes in the cultural patterns and expectations of the population. A separate report on Core Housing (Annex F) discusses the need for modifications in housing design. This report focuses on two problems: water resources and space heating. The report suggests adaptations of innovative technologies appropriate to the situations.

#### Water Resources

As Tunisia becomes more urbanized, the problems of waste disposal, particularly human wastes or night soil, become more and more difficult. Water-borne sewage systems, where they exist, are not extensive in the smaller towns in the interior. A national sewage study prepared in 1978 by a Dutch engineering firm for ONAS, the national sewage authority, analyzes need, sets criteria for establishing priorities, and outlines an ambitious program. The first phase includes provision of sewage connections to 90% of the houses built after 1978 and 80% of those already existing in 18 towns by 1983. Cost of this phase is projected at 102.6 million dinars (about 250 million dollars). Funds for this effort are being sought as part of the VIth Development Plan but are not yet assured. If fully implemented, this phase of the ONAS Program would affect only three of the towns presently included in the Project: Kasserine, Gafsa, and Le Kef. Though it is expected that these towns may have water-borne sewage systems in the foreseeable future, the extension of water-borne sewage systems may not in fact be advisable as it will undoubtedly have a significant effect on water consumption and thus on water supply in regions where sources are limited.

It should be noted that the ONAS plan does not anticipate treatment of waste in any of the towns in the interior, although the need for such treatment is critical to avoid contamination of groundwater. Thus, the critical question is how to dispose of human waste in towns lacking centralized collection and treatment without polluting the underground aquifers which provide the community with potable water. An interim solution with long-term as well as short-term benefits is to separate human excrement (night soil) from wastewater. By adopting one of the self-contained waterless toilet systems, night soil is rendered odorless and harmless through a composting process which produces a humus material similar to peat moss. Thus the principal source of groundwater contamination is eliminated.

Wastewater from cooking and washing may be discharged into a combined stormwater drainage system with considerably reduced risk of contami-

nating the underground aquifer. From the perspective of long-term costs, the composting toilet is also advantageous as it can greatly reduce the cost of treating wastewater by eliminating or drastically reducing the night soil load.

The Swedish government has underway a program to install and monitor 21 locally built composting toilets along with 7 imported ones manufactured in Sweden which will serve as controls. Social acceptability studies and technical analysis are complete. Construction will take place in the summer of 1979, and the results will be monitored for two years. The units which are built in place will cost about 400 dinars each. This cost is high due to the experimental nature of the program. The cost of building a dry pit privy is about 200 dinars, thus the premium for including the composting toilet in any given unit should be less than 200 dinars. Locally built units will be made of concrete.

### Space Heating

A second problem has been identified requiring the innovative application of technology. The heavy masonry construction used throughout the Tunisia is well suited to the hot, arid regions of the country. There are, however, certain areas where the relative humidity is high and the temperature quite low for much of the year. In these colder, damper areas, the traditional Tunisian house provides little comfort and aggravates health problems related to respiratory disorders.

This situation suggests the adaptation of a house plan using solar heating principles. Passive solar heating has been successfully incorporated into houses in many parts of the world. Tunisia is well suited for application of these principles. There are several experimental installations at the present time. Five passive heating designs are known in Tunisia: (1) In Nabeul, to heat separate rooms of a clinic. (2) In Maktar, a Peace Corps couple has built a solar greenhouse on the south face of their house and monitored its effect on interior temperatures. (3) Consultants to the Save the Children office in Maktar have advised that a "Trombe wall" passive heating system would provide maximum warmth. Such a "Trombe wall" design is being incorporated in a public school near Maktar. (4) A school lunchroom in Le Kef uses a "Trombe wall" heating design, as does (5) a medical dispensary near Monastir. Note: PCVs have initiated all five solar heated buildings. The Peace Corps couple in Maktar indicates that their greenhouse solar heater has been quite effective. The south-facing roof/wall of the greenhouse is 15 m<sup>2</sup> plus 2 m<sup>2</sup> at each end. It is a wood frame structure covered with sheets of greenhouse plastic which is manufactured in Tunisia and sold for 800 millimes for a 1 m x 3.5 m piece. In total they spent about 150 dinars for their greenhouse solar heater including: 110 dinars for the wooden frames of the sloped roof/wall and the two ends; 40 dinars for the masonry work necessary to open high and low ventilation spaces in the south wall of their house to allow natural convection currents to circulate between the solar-heated greenhouse and the interior rooms; and about 8 dinars for the greenhouse plastic used as glazing. The couple

suggests that 90 cm x 3 m plexiglass sheet which sells for 7 dinars in Tunis would be far superior to the greenhouse plastic. It seems that the costs of incorporating a simple solar-heating system into HG-funded core housing units would be quite modest and well worth the expense in terms of improved human well-being.

Amey N

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20520

THE HOUSING GUARANTY PROGRAM

STATUTORY CHECKLIST

Answer YES/NO

TUNISIA

A. General Criteria Under HG Statutory Authority.

Section 221 (a)

Will the proposed project meet the following criteria:

(1) is intended to increase the availability of domestic financing by demonstrating to local entrepreneurs and institutions that providing low-cost housing is financially viable;

-----  
YES

(2) is intended to assist in marshalling resources for low-cost housing;

-----  
YES

(3) supports a pilot project for low-cost shelter, or is intended to have a maximum demonstration impact on local institutions and national policy; and

-----  
YES

(4) is intended to have a long run goal to develop domestic construction capabilities and stimulate local credit institutions to make available domestic capital and other management and technological resources required for low-cost shelter programs and policies?

-----  
YES

Section 222(a)

Will the issuance of this guaranty cause the total face amount of guaranties issued and outstanding at this time to be in excess of \$1,130,000,000?

-----  
NO

Will the guaranty be issued prior to September 30, 1982?

-----  
YES

Section 222(b)

Will the proposed guaranty result in activities which emphasize:

(1) projects providing improved home sites to poor families on which to build shelter and related services;

-----  
YES

- (2) projects comprised of expandable core shelter units on serviced sites; YES

---

- (3) slum upgrading projects designed to conserve and improve existing shelter; YES

---

- (4) shelter projects for low-income people designed for demonstration or institution building; and YES

---

- (5) community facilities and services in support of projects authorized under this section to improve the shelter occupied by the poor? YES

---

Section 222(c)

If the project requires the use or conservation of energy, was consideration given to the use of solar energy technologies, where economically or technically feasible? YES

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Section 223(a)

Will the A.I.D. guaranty fee be in an amount authorized by A.I.D. in accordance with its delegated powers? YES

---

Section 223(f)

Is the maximum rate of interest allowable to the eligible U.S. investor as prescribed by the Administrator not more than one percent (1%) above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development? YES

---

Section 223(h)

Will the Guaranty Agreement provide that no payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible? YES

---

Section 223(j)

- (1) Is the host country a country that is presently receiving development assistance under chapter I of part I of the Act or one that has received such assistance in the preceding two years? YES

---

- (2) Will the proposed Housing Guaranty be coordinated with and complementary to other development assistance in the host country? YES

---

- (3) Will the proposed Housing Guaranty demonstrate the feasibility of particular kinds of housing and other institutional arrangements? YES

---

(4) Is the project designed and planned by A.I.D. so that at least 90 percent of the face value of the proposed guaranty will be for housing suitable for families below the median income, or below the median urban income for housing in urban areas, in the host country?

YES

(5) Will the issuance of this guaranty cause the face value of guaranties issued with respect to the host country to exceed \$25 million in any fiscal year?

NO

(6) Will the issuance of this guaranty cause the average face value of all housing guaranties issued in this fiscal year to exceed \$15 million?

NO

Section 238(c)

Will the guaranty agreement provide that it will cover only lenders who are "eligible investors" within the meaning of this section of the statute at the time the guaranty is issued?

YES

B. Criteria Under General Foreign Assistance Act Authority.

Section 620/620-A

1. Does the host country meet the general criteria for country eligibility under the Foreign Assistance Act as set forth in the country eligibility checklist prepared at the beginning of each year?

YES

2. Is there any reason to believe that circumstances have changed in the host country so that it would now be ineligible under the country statutory checklist?

NO

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

ASSISTANT  
ADMINISTRATOR

GUARANTY AUTHORIZATION

PROJECT 664-HG-004

Provided From: Housing Guaranty Authority

For : The Government of Tunisia

Pursuant to the authority vested in the Assistant Administrator, Bureau for Near East, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 of the FAA of not to exceed twenty-five million dollars (\$25,000,000) in face amount, assuring against losses (of not to exceed one hundred percent (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance housing projects in Tunisia. This guaranty will assist in financing the housing program of the Government of Tunisia for low income households primarily in the smaller population centers in the interior of Tunisia. Shelter activities including core housing projects, sites and services projects, construction and home improvement loans, and neighborhood upgrading projects shall be financed hereunder. The borrower (Borrower) shall be La Caisse Nationale d'Epargne Logement together with such other instrumentalities of the Government of Tunisia as may be practicable.

This guaranty shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans shall extend for a period of up to thirty years (30) from the date of disbursement and may include a grace period of up to ten years on repayment of principal. The guaranty of the loans shall extend for a period beginning with the first disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.

3. Government of Tunisia Guaranty: The Government of Tunisia shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.
4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1%) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.
5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

The Implementation Agreement shall contain covenants and/or conditions precedent to disbursement which in effect require:

1. Eligibility of Beneficiaries: Prior to the first disbursement, the Borrower shall present for A.I.D. review and approval, the procedures to be used by the Borrower to assure that beneficiaries meet the below median income test. New sub-projects or parts of new sub-projects for which the loans are to be used must be affordable by households with incomes below the median urban income. Adjustments to this target median income level will be reviewed periodically.
2. Construction Standards: Prior to disbursement for the respective sub-projects, the Borrowers shall present for A.I.D. review and approval the sub-project plans for: environmental and social soundness, technical soundness, and financial soundness.
3. Evaluation: Evaluation of progress in meeting the outputs envisioned for the program as outlined in the Logical Framework will take place on a regular basis. The Borrower will be expected to submit periodic Progress Reports which shall include projects being implemented as well as annual submission on program, policy and new project development under consideration for HG financing. Evaluation will be carried out as outlined in the Evaluation and Monitoring Guidelines of the A.I.D. Office of Housing dated November 1978, as amended. In addition, baseline data will be established prior to project implementation to enable on-going measurement of program impact on beneficiaries.
4. Housing Finance System: Prior to the Borrower requesting a second HG authorization, there will be studies underway with respect to a comprehensive housing finance system in Tunisia.
5. Areas Selected: Areas selected for slum upgrading must be predominantly low income.

6. Cost Recovery: Land and construction costs shall be charged to the beneficiaries in order to assure cost recovery to the fullest extent. Public costs of on-site infrastructure to the extent not recoverable through user charges shall be minimized and shall be the subject of A.I.D. reviews under paragraph 2 above.
7. Maximum Cost Per Unit: Maximum cost levels for units financed under the program in whole or in part are subject to A.I.D. approval and will be established in the Project Delivery Plans and reviewed periodically.
8. Technical Review and Approvals: Prototype solution designs and specifications including cost estimates will be subject to A.I.D. technical review and approval. Project sites and community facilities will be integrated to the maximum extent feasible into general area development plans also subject to A.I.D. approval.
9. Market Demand Study: The GOT will conduct a market demand study subject to A.I.D. approval to determine the location and apportionment of sub-project activities and to update income distribution data. All costs associated with the programs market demand study will be eligible expenses reimbursable from loan proceeds and may be charged to the beneficiaries as part of the normal overhead costs of the program.
10. GOT Inter-ministerial Agreement. The GOT will execute a special protocol between CNEL and the other implementing agencies. The protocol will allow CNEL to operate, on an experimental basis, a "free" saving and loan operation using the various principles and techniques common to that industry.
11. Location and Sale of Rural Units: The GOT shall agree not to build residential units financed under its Rural Development Program closer than 10 km. to incorporate townships.
12. Other Terms and Conditions: The Implementation Agreement shall be subject to such other terms and conditions as A.I.D. may deem necessary.

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Joseph C. Wheeler  
Assistant Administrator  
Bureau for Near East

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Date

**Clearances:**

GC/NE:JMullen \_\_\_\_\_ Date \_\_\_\_\_  
NE/NEN/A:MHuntington \_\_\_\_\_ Date \_\_\_\_\_  
NE/DP:BLangmaid \_\_\_\_\_ Date \_\_\_\_\_  
NE/PD:SATaubenblatt \_\_\_\_\_ Date \_\_\_\_\_  
DS/H:DMcVoy \_\_\_\_\_ Date \_\_\_\_\_  
DS/H:WNGoodson \_\_\_\_\_ Date \_\_\_\_\_  
GC/H:MGKitay \_\_\_\_\_ Date \_\_\_\_\_  
FM/LD:ASmith \_\_\_\_\_ Date \_\_\_\_\_

GC/H:MGKITAY:prj:07/25/79