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INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523

PROJECT PAPER

MOROCCO: Tetouan Urban Development  
(608-0194)  
(Supplement to 608-HG-001)

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AGENCY FOR INTERNATIONAL DEVELOPMENT  
**PROJECT DATA SHEET**

1. TRANSACTION CODE  C A = Add  
 C = Change  
 D = Delete  
 Amendment Number 1

DOCUMENT CODE 3

2. COUNTRY/ENTITY Morocco

3. PROJECT NUMBER 608-0194 Supplement to 608-HG-001

4. BUREAU/OFFICE USAID/Morocco  03

5. PROJECT TITLE (maximum 40 characters) TETOUAN URBAN DEVELOPMENT GRANT

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)  
 MM DD YY  
09 30 91

7. ESTIMATED DATE OF OBLIGATION  
 (Under "B" below, enter 1, 2, 3, or 4)  
 A. Initial FY 86 B. Quarter 4 C. Final FY 88

8. COSTS (\$000 OR EQUIVALENT \$1 = )

A. FUNDING SOURCE	FIRST FY <u>86</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant) SDA	( 700 )	( ---- )	( 700 )	( 800 )	( ---- )	( 800 )
(Loan)	( ---- )	( ---- )	( ---- )	( ---- )	( ---- )	( ---- )
Other U.S.						
1.						
2.						
Host Country In-Kind					270	
Other Donor(s)						
<b>TOTALS</b>	700		700	800	----	800

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)	SDA	720	860			800	----	800	----
(2)									
(3)									
(4)									
<b>TOTALS</b>									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)  
710 811 840 852 862 867

11. SECONDARY PURPOSE CODE 723

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)  
 A. Code BU  
 B. Amount 0.800

PROJECT PURPOSE (maximum 480 characters)

To strengthen the institutional capacities of the GOM agencies implementing the Tetouan Urban Development Project and other similar projects.

14. SCHEDULED EVALUATIONS  
 Interim MM YY MM YY Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES  
 000  941  Local  Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment)

This Project Paper Supplement No. 1, amends the Project Paper for the HG-financed Tetouan Urban Development Project (608-HG-001) to include a DA Grant-funded technical assistance and training component.

17. APPROVED BY  
 Signature: Charles W. Johnson  
 Title: Director, USAID/Morocco  
 Date Signed MM DD YY

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION  
 MM DD YY

UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
RABAT, MOROCCO

OUR REF.: 0003X

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PROJECT AUTHORIZATION

Name of Country: MOROCCO

Name of Project: Tetouan Urban Development Grant  
Number of Project: 608-0194

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Tetouan Urban Development Grant Project for Morocco involving planned obligations of not to exceed \$ 800,000 in grant funds over a three year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is five years from the date of initial obligation.
2. The project consists of the provision of technical services, training and commodities in support of AID Housing Guarantee No. 608-HG-001 which will finance a comprehensive urban upgrading and shelter program in Tetouan.
3. The Project Agreement which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the project shall have their source and origin in Morocco or in the United States except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Morocco or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing.

ACTION MEMORANDUM TO THE MISSION DIRECTOR

FROM: William S. Rhodes, Program Officer *WR*

PROBLEM:

Approval of the Project Paper Supplement to HG-001 and the Project Authorization of the Tetouan Urban Development Grant (608-0194).

DISCUSSION:

The Housing Guaranty (HG) Tetouan Urban Development Project (608-HG-001) was approved by USAID Morocco on September 26, 1985 and the HG loan authorizations amended on the same date in order to make HG funding available for the project. At the time of the approval of the HG project, the Mission determined that it should be supplemented to include a DA grant-financed technical assistance component which would help assure the success and replicability of the "institutional model" being established. The HG loan-financed project includes the upgrading of a squatter settlement, development of privately-owned land for low-cost housing, a sites and services project and offsite infrastructure. It is designed to prevent the spread of unregulated and unserviced ("clandestine") housing in Tetouan. If successful, the institutional structure of this project will serve as a model for similar urban development projects in other Moroccan cities. The structure provides for the close collaboration of the national community infrastructure fund, the national housing upgrading agency, a regional utility company, and the municipal government of Tetouan.

Because no single entity within the Government of Morocco had the combination of statutory powers, financial resources, managerial functions or personnel to carry out and replicate complex urban development projects, the project proposes that four GOM institutions work together to do so: the Fonds d'Equipeement Communal (FEC), the Agence Nationale Contre l'Habitat Insalubre (ANHI), the Municipality of Tetouan (MUN), and the Regie Autonome intercommunale pour la Distribution d'Eau et d'Electricite (RDE). In order for these agencies to efficiently carry out this multi-faceted project, the Mission determined it was appropriate to strengthen their capacity to perform certain implementation functions.

A Technical Assistance and Training Needs Assessment was carried out by Research Triangle Institute (RTI) in collaboration with RHUDO to determine what level of assistance effort was required by these organizations. RHUDO and the Mission reviewed the Assessment and, based on certain revisions of RTI's estimates of the requirements of the institutions, the attached Project Paper Supplement was prepared.

The technical assistance and training component of this project is designed to strengthen the capacity of the four implementing institutions responsible for the urban development project financed by the HG loan. The activities to be funded by the grant include: a) short-term expatriate technical assistance and training totalling 40 pm (\$619,000); b) training (\$46,000), c) micro-computer assistance to the FEC, ANHI, and MUN (\$85,000); and d) an environmental assessment (\$50,000). Total LOP funding for the component is \$800,000, which will consist of both USAID and RHUDO development assistance (SDA) funds. The grant will be funded incrementally, with most funds to be obligated in FY 1986.

The USAID has received a Budget Allowance of \$500,000 from its FY 1986 OYB, and PRE/H has transferred \$200,000 additional grant funds from its OYB to the Mission (State 223283). PRE/H funds will be provided in increments over FYs 1986-88. The FY 1986 amount is \$200,000, and the total obligation for this component in FY 1986 is therefore \$700,000. The Congressional Notification for Mission grant funds for this Project expired without objection on June 17, 1986; no Congressional Notification is required for PRE/H grant funds (State 223283).

You are authorized to amend the Tetouan Urban Development Project (608-HG-001) through the approval of this DA grant-financed PP Supplement (608-0194) under Section 2 of Redefinition of Authority No. 113.3A.

RECOMMENDATIONS:

1. That you approve the Project Paper Supplement by signing the PP face sheet (Project Data Sheet).
2. That you sign the attached Project Authorization.

APPROVED: \_\_\_\_\_

*Charles W. Johnson*

DISAPPROVED: \_\_\_\_\_

DATE: \_\_\_\_\_

*July 23, 1986*

Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

Signature Charles W. Johnson  
Charles W. Johnson  
USAID Mission Director

Clearances:

A. PROG:WSRhodes WBR  
B. RHUDO:HBirnholz HB  
C. CONT:PLCallen PL

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OFFICIAL FILE

ACTION AID3 INFO: DCM ECON/5

LOC: 262 770  
17 JUL 86 0645  
CN: 09122  
CHRG: AID  
DIST: AID

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TO AMEMBASSY RABAT PRIORITY 5306  
BT  
UNCLAS STATE 223283

BUD

ACTION: PROG  
DUE DATE: 07/21  
INFO: AIR - CONT  
CAIRON - RF

AIDAC

E.O. 12356: N/A

TAGS:  
SUBJECT: FY 86 PROGRAM FUNDS BUDGET ALLOWANCE FOR PRE/H  
PROGRAM ACTIVITIES IN MOROCCO

1. PDAA-86-29608-DG-11 (646-51-608-00-20-61) HAS BEEN  
ESTABLISHED IN THE AMOUNT OF DOLS 200,000 FOR PROJECT NO.  
940-1001.08, HOUSING THE URBAN POOR. ADVICE OF BUDGET  
ALLOWANCE FOLLOWS.

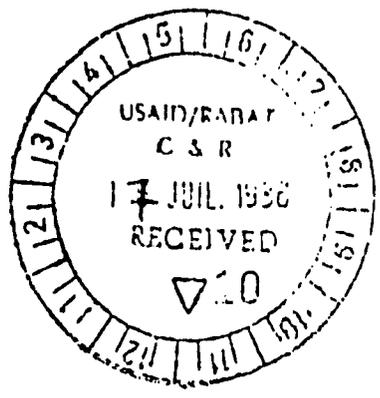
2. NOTE THAT THESE ARE FY 86 FUNDS (RATHER THAN PRIOR YEAR  
FUNDS AS PREVIOUSLY DISCUSSED) AND NO CN IS INVOLVED AS  
THESE FUNDS WERE INCLUDED IN THE FY 86 CP. SHULTZ

BT  
#3283

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STATE 223283



ACTION TAKEN:  
No Action Necessary NAN  
Replied by: WBC  
7/18  
Initials & Date

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ACRONYMS

ANHI	Agence Nationale de lutte contre l'Habitat Insalubre National Shelter Upgrading Agency
FEC	Fonds d'Equipement Communal Community Infrastructure Fund
GOM	Government of Morocco
HG	Housing Guaranty
MUN	Municipality of Tetouan
RDE	Régie Autonome Intercommunale de Distribution d'Eau et d'Électricité de la province de Tetouan Regional Public Utility Agency
CDG	Caisse de Dépôt et de Gestion Deposit and Investment Management Trust
DCFTT	Direction de la Conservation Foncière et Travaux Topographiques - Ministry of Agriculture Cadastral Office

I SUMMARY

A. Project Title

Tetouan Urban Development Grant

B. Project Number:

608-0194

(Grant Supplement to 608-HG-001)

C. Total Project Amount

AID: 0.80 million

GOM: 0.27 million

Total: 1.07 million

D. Source of Funds

AID: 0.80 million

GOM: 0.27 million (in-kind contributions)

E. Terms

Grant to the Government of Morocco

F. Life-of-Project

5 years

G. Coordinating Entities

USAID/Rabat and the GOM Ministry of Interior

H. Implementing Entities

Community Infrastructure Fund (FEC)

National Shelter Upgrading Agency (ANHI)

Municipality of Tetouan (MUN)

Regional Utility Company (RDE)

I. Summary Project Description

Rationale: The AID Housing Guarantee Tetouan Urban Development Project (608-HG-001) approved by USAID/Morocco on September 26, 1985, is intended to finance an innovative approach to the problems of unregulated urban development. The project requires four principal implementing agencies of the Moroccan government to fundamentally cooperate closely on a major development project. Although the agencies are fundamentally sound and well-managed, the magnitude of the project and the innovative nature of the institutional relationships required to execute the project necessitate supplemental technical assistance and training focused on functions critical to the Project. The Tetouan Urban Development Grant Project (608-0194) has been designed to respond to this need. This grant project was anticipated in the 608-HG-001 project paper and is a necessary supplement to it; this Project Paper Supplement should be read in conjunction with the Project Paper for the HG-financed Tetouan Urban Development Project (608-HG-001).

Goal: To attain the sector goals of the Tetouan Urban Development Project (608-HG-001) by assisting in the creation of a replicable institutional model for executing this Project and similar future projects.

Purpose: To strengthen the institutional capacities of the GOM agencies implementing the Tetouan Urban Development Project and other similar projects.

Policy Objectives: To help implement GOM urban sector policy initiatives, including (1) mobilizing private sector financing of urban development, (2) increasing municipal revenue generation, (3) decentralizing financial management from central to local governments, and (4) improving coordination among implementing agencies.

Project Components: To assure the effective implementation of this Project, the grant funded supplement to the HG loan project will finance the provision of U.S. technical assistance and training, microcomputer equipment, software and training, technical training in a local institution and the performance of an environmental assessment.

Technical assistance in the form of short-term advisers, will provide consultancy, on-the-job training, and orientation through seminars, addressing project management and monitoring, financial management, cost recovery, revenue generation, community services, and selected technical topics related to ongoing implementation activities.

Technical assistance will address project management and monitoring, property registration and tax collection, delivery of municipal services and recovery of their costs, municipal financial management and budgeting, and community development. The assistance will be provided by short-term U.S.-based advisers.

Technical assistance and training for land registry will be provided to the ANHI and MUN, who will coordinate with the Ministry of Agriculture Land Office (DCFTT), the GOM agency responsible for registry and titling of land, in order to strengthen, accelerate, and ensure registry of project beneficiaries' land.

Training will be provided in computerization of certain implementation functions (FEC, ANHI, MUN), in technical subjects related to neighborhood upgrading and to sites and services projects (FEC, MUN), in municipal financial impact analysis (FEC, ANHI, MUN), in financial management (FEC, ANHI, MUN), in project appraisal (FEC, ANHI), in delivery of municipal services (MUN, RDE), and in sewage treatment plant design and operations (MUN, RDE). The training will take a variety of forms, such as seminars, workshops, short courses, and on-the-job training. It will be provided both by U.S.-based short-term advisers and by local training institutions such as the Ministry of Interior's Training Division. Where possible, training in common areas of need will be provided in one program to participants from different agencies.

Due primarily to the large workload increase imposed by HG-001 implementation, microcomputers and appropriate software will be provided to the implementing agencies - FEC, ANHI, and the Municipality of Tetouan. (The regional utility company is already computerized.) FEC will receive two microcomputers and related software to accommodate their increased workload for HG-001 financial analyses and for technical and financial monitoring of the loan project. ANHI will receive two microcomputers and appropriate software to handle 30 thousand project beneficiary files. The machines can also be used for financial analyses. The Municipality will require two microcomputers and software to replace current manual financial record-keeping and to handle project cost-recovery files.

Project Funding: As shown in Table 1, AID grant funds will finance the above components. GOM will provide in-kind contributions of office space for expatriate advisers, personnel, and operating expenses of the GOM implementing agencies.

TABLE I  
SUMMARY FINANCIAL TABLE

Project Components	Technical Assistance & Training		Computerization		Local Training & Services		Subtotals	
	AID	GOM	AID	GOM	AID	GOM	AID	GOM
FEC-Support	198	66	15	5	-	-	213	71
ANHI-Support	129	43	30	10	-	-	159	53
MUN-Support	217	72	40	13	-	-	257	85
RDE-Support	86	29	-	-	-	-	86	29
MOI-Grant	-	-	-	-	35	12	35	12
Environmental Assessment	-	-	-	-	50	17	50	17
	630	210	85	28	85	29	800	267

AID Contribution (75%)  
GOM Contribution (25%)

800  
267

J. End of Project Status

Upon completion of the Tetouan project, the participating agencies are expected to have accomplished the levels and types of performance described below. Progress in these respects is to be measured against the Technical Assistance and Training Needs Assessment (Annex B), which presents the baseline situation.

- Four agencies will have cooperated to implement a comprehensive urban development project.
- Tetouan's Municipal administration will be fully operational in the following areas:
  - design and management of programs to recover costs of urban development
  - delivery of services to all urban residents
  - management of waste water treatment
  - management of solid waste
- The Regional Utility Company and the Municipality will have selected appropriate and affordable technology of waste water treatment and will have instituted an equitable program of cost recovery. The owner of the treatment facilities will have trained staff capable of operating and maintaining the facility.

- The Municipal Development Bank staff will be trained and equipped to evaluate and manage multiple component urban development loans, and, beginning with the Tetouan project, will be able to provide technical assistance in design and management of cost recovery programs to municipal governments.
- The National Upgrading Agency will have an organizational structure, tools, and techniques capable of implementing all technical aspects of similar projects in other Moroccan cities.
- An environmental assessment will have impacted on the choice and design of waste water treatment facilities according to USG requirements as administered by AID.

K. USAID Project Committee:

Harry Birnholz, Regional Housing Officer  
Robert Adams, RHUDO Project Manager  
W. Stacy Rhodes, Program Officer  
Randal J. Thompson, Project Development Officer  
Pamela L. Callen, Acting Controller  
Dianne C. Tsitsos, Project Manager  
Ulrich F.W. Ernst, Economist  
Robert Meighan, Regional legal Adviser

## II BACKGROUND

### A. The Tetouan Urban Development Project

The rapid growth of Morocco's urban centers has been accompanied by the inability of the formal housing sector to meet the shelter needs of low income families. This situation has resulted in the growth of two types of informal housing: bidonvilles and clandestine neighborhoods. Bidonvilles are crowded neighborhoods of shacks or similar rudimentary shelters. Clandestine settlements, in contrast, are unplanned, unregulated (i.e. lacking formal authorizations, permits and formal land titles) neighborhoods of more substantial dwellings, often concrete structures of two or more storeys. Both types of neighborhoods lack utilities and other infrastructure and community facilities. Both serve the needs of low income groups, though residents of clandestine housing tend to be somewhat better off and are apparently more willing to invest their scarce resources in housing.

The Government of Morocco (GOM) has identified the "regularization" of clandestine housing as its top priority, because of the rapidity and extent of its growth. Because the dwellings themselves are typically well constructed, addressing the problems of clandestine neighborhoods is much more directed at the whole spectrum of urban development issues than at housing, *per se*. If the GOM is to be able to deal with the housing needs of its population, particularly those of low and moderate income, whether housed in bidonvilles, clandestine neighborhoods or elsewhere, it must find ways to regain public control over urban development, and encourage private investment in the sector.

The current HG-001 project, originally conceived as a relatively straightforward upgrading of the Dersa/Samsa neighborhood of Tetouan, has evolved into the first comprehensive effort to do this. Its approach is innovative in the ways in which it will bring public and private sector resources to bear on a major clandestine area. If successful, this approach will be the model to be applied in other cities of Morocco.

The shelter upgrading component is now one of three major project components, the others being a sites and services project on adjacent land, and a "Zone d'Aménagement Concerté" (ZAC) project. The latter two components are seen as a means of preventing future spread of clandestine housing and are also important for the mobilization of private investment in low-income housing development in the area. Two further aspects of the project are essential to its success: an off-site sewerage project and a technical assistance and training component. The latter is the subject of this PP Supplement.

### B. The Technical Assistance and Training Component

Technical assistance training was anticipated by the HG-001 design as a project component for which supplemental Development Assistance grant funding would be provided by USAID/Rabat and RHUDO/NE. The Project Paper summarized issues of the technical assistance component as follows:

Issues which could be effectively addressed by technical assistance include: project management and monitoring, property registration and tax collection, management and delivery of municipal services, management of municipal finances and budgeting, and community development. The technical assistance could also be a means of influencing future policies by having positive effects on cost recovery and the financial situation of the Municipality of Tetouan. It could provide a replicable model to other cities.

Following approval of the Project Paper, an assessment of technical assistance and training needs was carried out by the Research Triangle Institute with funding provided by RHUDO. The consultant's report is included in this PP Supplement in the form of Annex B.

### C. Needs Assessment and Project Design

The project described in this Supplement differs from that of the RTI assessment (Annex B) in three respects:

1) A total assistance budget of \$1.4 million proposed by RTI, whereas this PP supplement has a budget of \$0.8 million. This reduction is due to budgetary constraints and the deletion of a resident technical adviser. USAID/Rabat and RHUDO believe that program objectives can be achieved at this level of assistance.

2) The RTI assessment recommended the use of a long-term resident adviser, whereas this proposal relies upon short-term advisers and RHUDO/Rabat staff to perform the functions intended for a resident. RHUDO determined that although a long-term resident adviser did not appear vital to the success of the project, the possibility should not be excluded. RHUDO and the Mission intend to reexamine the resident adviser issue during an early phase of project implementation and are prepared if necessary to either reassign the resident PSC currently assigned to RHUDO/Rabat to assume responsibility in Tetouan, or to procure a resident advisor to be based in Tetouan with Project funds (608-0194) or, if necessary, with additional funds from separate RHUDO/NE grant monies..

3) This PP Supplement places a greater emphasis than did the Needs Assessment on the project's financial intermediary, the FEC. This change from the assessment, which expands the FEC's role to provide technical assistance to the Municipality of Tetouan for financial management, particularly cost recovery, and which reduces ANHI's role in providing technical assistance for cost recovery to MUN, is the result of guidance provided by PRE/H and RHUDO/NE. The objective of project replicability could be best served by strengthening FEC's ability to assist municipalities in their cost recovery programs .

The functions that the implementing agencies are called upon to perform in the context of this Project generally correspond to their mandates and experience. However, each institution will be required for the first time to work closely with the others to implement an innovative and comprehensive urban development project. The required cooperation and coordination of activities calls for modifications in management structures and reporting procedures, as well as enhanced data management and analysis capabilities. A program of specialized training and technical assistance tailored to the needs of the Project and to the existing capabilities and requirements of each institution is essential to molding the institutional model critical for the success of this Project, and to assuring its replicability elsewhere.

The discussion in the following section outlines the needs of the Project overall and of each of the four constituent institutions.

### III PROJECT DESCRIPTION

#### A. Project Goal and Purpose

The project's overall goals, as defined in the HG-001 Project Paper, are as follows:

The sector goal of this Project is to improve the shelter conditions of low income households in urban areas of Morocco. Progress toward this goal will be made by achieving the Project's objectives which are: (a) to upgrade a clandestine settlement and prevent its spread, in a major Moroccan secondary city, and (b) to develop a model of a comprehensive approach to urban development and shelter finance for low-income families. In accomplishing these objectives, the Project will:

- Support GOM policies which aimed at the problem of the proliferation of clandestine settlements;
- Increase the availability of affordable shelter solutions for low income families;
- Support initiatives to provide critical environmental services to major urban centers;

- Create an institutional structure capable of implementing similar projects in other urban areas;
- Support GOM efforts to strengthen local governments' ability to deliver services to residents on a cost effective basis;
- Support existing financial institutions and intermediaries that will strengthen private capital market initiatives in the shelter section.

The program goals are identical to the HG project goals. The project's purpose is to strengthen the institutional capacities of the GOM agencies implementing the Tetouan Urban Development Project and other similar projects.

#### B. The Institutional Model

The assessment of the institutional infrastructure during project development identified a major gap. No single entity of the GOM has the combination of statutory powers, managerial responsibilities and staff capabilities needed to carry out a comprehensive urban development project of the type planned for Tetouan. Consequently, the Project will bring together several organizations that jointly offer the requisite powers, skills and personnel. Establishing the management systems for effective cooperation needed to carry out the Tetouan Project will provide the institutional model that could be replicated for similar projects elsewhere.

The institutional model developed for the specific purpose of implementing the HG 001 Tetouan Project, and designed for similar activities elsewhere comprises four key agencies:

- the Community Infrastructure Fund (FEC), a subsidiary of the Caisse de Dépôt et de Gestion (CDG), the major public finance institution in Morocco;
- the National Shelter Upgrading Agency (ANHI), a national public agency under the direction of the Ministry of Housing responsible for improving substandard housing conditions;
- the Regional Utility Company (RDE) which builds, operates and maintains water and electrical systems in the province; and
- the Municipality of Tetouan (MUN) which is administered by a locally elected Municipal Council and President, operating under the authority of the Ministry of Interior.

The structure sketched is still subject to further refinement and modification; for example, the specific responsibilities for procurement of technical studies and construction services may change from what is described here, as the agencies negotiate their agreements and protocols.

The FEC will be the borrower of the HG loan by agreement with the Ministry of Finance. The FEC will receive dirham equivalents of dollar loans through the Bank of Morocco and will on-lend these amounts to the Municipality. The

Municipality will reimburse the FEC who will reimburse the Bank of Morocco. Reflows in excess of reimbursement obligations will be reinvested by the FEC, e.g., in other urban development projects, in order to generate additional returns. The FEC in its role as project financier will monitor Project implementation by all agencies involved to assure compliance with the Project Delivery Plan as will be agreed upon in the HG001 Program Agreement.

The ANHI will act as the technical adviser to the Municipality of Tetouan. It will have the lead responsibility in the procurement of all technical and construction services for on-site sewerage and electricity for the Municipality. It will manage and supervise contractors, and prepare all documentation supporting payment to them. In addition, ANHI will work with the Ministry of Housing on developing policy guidelines for upgrading, and "test" these guidelines by applying them to the Tetouan Project.

To provide effective technical support services to the Municipality, ANHI will establish and maintain an on-site office (its first) in charge of the actual execution of the Project.

The Municipality of Tetouan will borrow from the FEC to pay for all construction works and equipment. It will also be responsible for all contracting (with ANHI's technical advice), operation and maintenance of all project works through its Municipal Administration, and by arrangement with other agencies. The Municipality will be charged with cost recovery and repayment to the FEC. Costs will be recovered through a variety of means, including municipal taxes, sales of serviced plots, betterment assessments, and through utility surcharges collected by the RDE.

In addition to its role in cost recovery, the RDE will procure and supervise technical studies and construction services for off-site water and sewerage works. The RDE will operate and maintain water works, but responsibility and arrangements for operation and maintenance of the off-site sewerage works will be determined by the GOM as a condition precedent to the first disbursement under this Project.

Technical assistance and training will be provided to the ANHI and MUN, in coordination with the DCFTT, in order to strengthen, accelerate, and ensure registry and titling of project beneficiaries' land.

Figure 1 provides a breakdown of Project activities, showing the primary and secondary responsibilities of the implementing agencies. As noted, some elements may be subject to revision in the course of negotiating interagency agreements and protocols.

### C. Interagency Agreements

Figure 2 shows the interagency and beneficiary agreements necessary for application of the institutional model to the Tetouan project. The interagency agreements will be as follows:

- The agreements and system of guarantees between USAID, MOF, the US lender, Bank of Morocco and the FEC are all standard to the HG program and GOM procedures;

#### FEC - MUN

- The FEC will sign a loan agreement with the Municipality, and disbursements will be made to a special treasury account created for the Municipality through the Ministry of Finance;

#### MUN - ANHI

- The Municipality of Tetouan (MUN) will contract with ANHI, technical advisor for the execution of the project;
- The Municipality will sign all on-site construction contracts, and ANHI will either authorize or make payments for the Municipality of Tetouan to

FIGURE 1

RESPONSIBILITIES FOR PROJECT IMPLEMENTATION

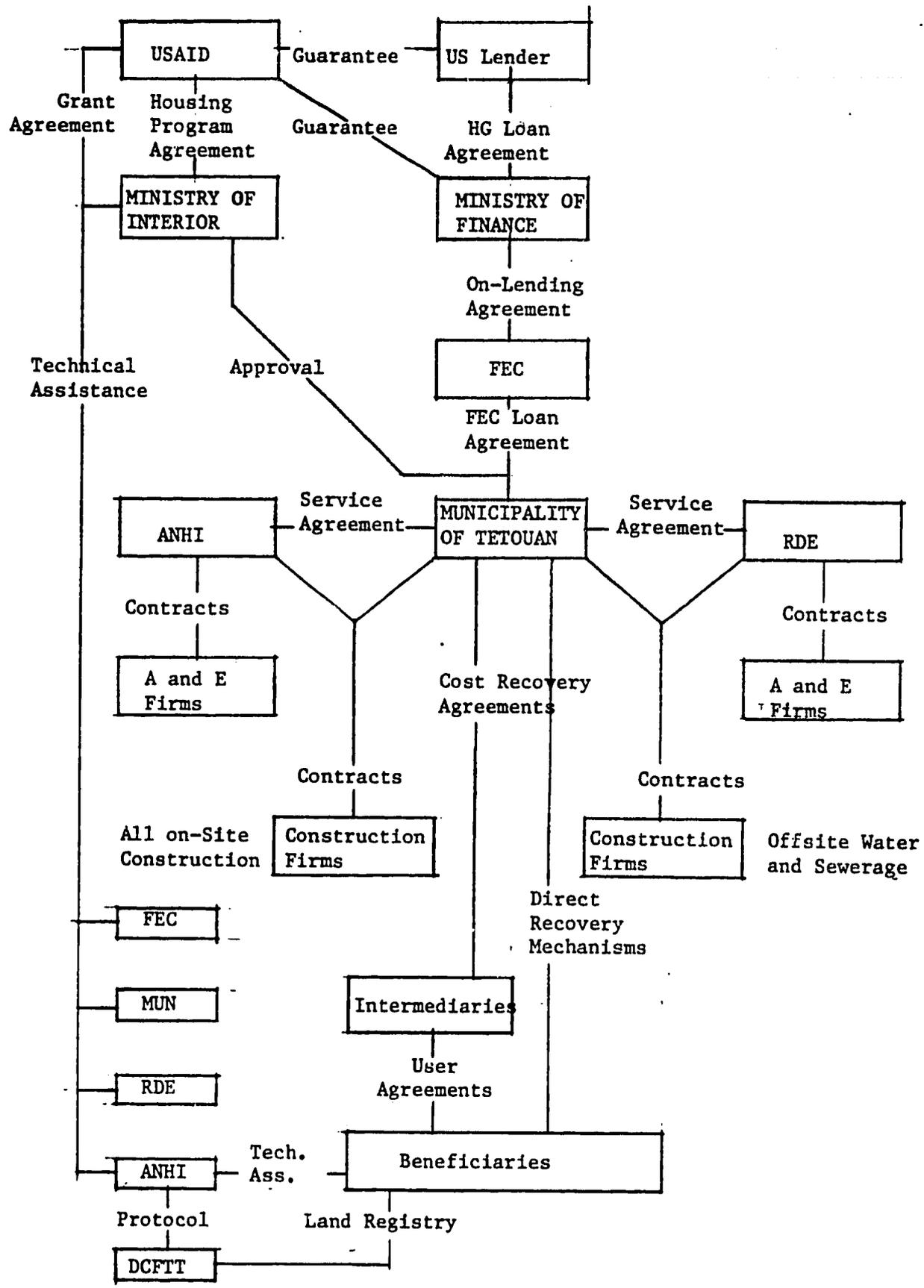
	<u>Primary Agency</u>	<u>Secondary Agencies</u>
<b>Project Finance</b>		
Negotiate HG Loans	MCF	FEC
Negotiate FEC Loans	FEC/MUN	ANHI
Cost Recovery	MUN/RDE	ANHI
Contract Management	ANHI	RDE/MUN
<b>Project Preparation</b>		
Land use planning	ANHI	MUN
Land tenure situation	ANHI	CAD/CONS
Socioeconomic analysis	ANHI	CONS
Feasibility studies	ANHI	CONS
Preliminary plans	ANHI	MUN/RDE
Preliminary engineering	CONS	ANHI/RDE
Final project and bids	ANHI	RDE
<b>Project Execution</b>		
Registration and titles	MUN/CAD	ANHI
Land expropriation (inf)	MUN/LAND	ANHI
Street surfacing	ANHI/MUN	MUN
Sewerage facilities	RDE/MUN	ANHI
Water supply	ANHI	MUN/RDE
Power supply and streetlights	ANHI	MUN/RDE
Environmental protection	MUN/RES	ANHI
<b>Project Cost Recovery</b>		
Offsite infrastructure	MUN	RDE
Streets	MUN	RDE
Sewerage facilities	RDE/MUN	RDE
Water supply	RDE	MUN
Power supply and streetlights	RDE	MUN
Municipal equipment	MUN	
<b>Land Registry</b>		
Upgrading, ZAC, Sites and Services	ANHI/DCFTT	MUN
<b>Coordination with other Ministries for Public facilities</b>		
	GOV/SC	ANHI/MUN

Abbreviations

MUN	Municipality of Tétouan	ROH	Regional Housing Office (MOH)
CAD	Cadastral Survey	GOV	Provincial Governor
RDE	Utility Agency	SC	Steering Committee
RES	Residents	ANHI	Agence Nationale de lutte contre l'Habitat Insalubre
LAND	Land Office	FEC	Fonds d'Equipement Communal
CONS	Consultant Firms	DCFTT	Direction de la Conservation Foncière et Travaux Topographiques

FIGURE 2

INTERAGENCY AND BENEFICIARY AGREEMENTS



MUN - Beneficiaries

- Beneficiaries will receive formal land titles and they will also be issued Occupancy Permits formally authorizing their housing situation. They will also sign cost recovery contracts which clearly define the services being provided and their obligations in making advance and monthly payments.

The HG-001 Implementation Agreement with the GOM will require that all protocols and agreements between key agencies and entities be conditions precedent to the first disbursement.

D. Needs, Inputs, and Outputs

The needs for technical assistance and training are determined by the requirements of the Project and the current capabilities of each of the four implementing agencies. Any modifications or adjustments in functional responsibilities in the course of negotiating the necessary interagency agreements and protocols is therefore likely to change the needs profile. Consequently, the allocation of technical assistance and training effort among the four agencies sketched here may change to respond to changed needs.

How the individual agencies relate to each other in the Tetouan Urban Development Project will determine the efficacy and replicability of the institutional model. Information exchange and reporting will represent a key element of the interagency relationships. To provide a common core for the computerization of the agencies' work relevant to the Project, the functional data processing and reporting requirements across agencies will be examined prior to the procurement of the microcomputers and relevant software. This functional data processing needs assessment will describe the common data bases, such as financial information, project planning and monitoring data, beneficiary data, etc., identify appropriate general software packages or special applications development needs, and assign lead responsibilities among the agencies for the development and maintenance of common data bases.

Sharing data bases and analysis/reporting software does not mean centralized data processing. Instead, this common core system is designed to facilitate information exchange and financial and technical planning and monitoring of different Project components. Computerization and systems development and training for the individual agencies will build on this common core to address their specific needs within the framework of this Project.

1) Fonds d'Equipement Communal (FEC)

a) Needs

Since its founding in 1959, the FEC has evolved from a passive to a more active role in identifying, preparing, and monitoring loans to local governments. Its first investment in upgrading a substandard urban area was made in 1980, with World Bank financing. The Tetouan project will expand their role from investment in upgrading to financing and monitoring of all the components in a comprehensive urban development scheme. The Tetouan project will also increase FEC's annual lending by about 30% over its 1985 level. FEC's role as a lending institution will be further extended to include assistance to the Municipality in the design and monitoring of its cost recovery programs.

Given FEC's responsibility as the financial manager of the institutional model for the project, the additional workload and expanded role require expatriate technical assistance, and training and two micro-computers with software and introductory training in.

- i. Technical Assistance and Training: Expatriate specialist assistance, including training, is needed to strengthen FEC's analytical and managerial capabilities as applied to comprehensive urban development projects generally and to municipal cost recovery design and monitoring, specifically.

- ii. Computerization:

The likely volume of use of data based and financial analysis tools, as well as the need for redundancy, call for a minimum of two microcomputers to be provided under this grant, with appropriate commercial software, peripheral equipment, and introductory training. In addition, short-term technical assistance may involve the preparation of special applications, which would also require training in their use.

b) Inputs: The inputs necessary to meet the needs include expatriate short-term assistance, training in the use of microcomputer software, and provision of data processing equipment. Inputs are summarized in Table 1.

- i. Technical Assistance and Training: An estimated total of twelve person-months of assistance over the life of the project by at least two specialists will meet project needs.

- ii. Computerization:

- Training: One person-month of training in the use of data processing equipment and software, during the first year, will meet assessed needs.
- Equipment: Two microcomputer and software packages, to be determined by a more detailed assessment, estimated to cost \$20,000, (including introductory training)

c) Outputs:

- i. Technical Assistance and Training: FEC's project managers will acquire understanding of, and experience with, multiple-component urban development finance for the first time, increasing their capability to evaluate, prepare, and monitor similar projects in other Moroccan cities. The FEC will strengthen its capability in the design and management of cost recovery programs, while simultaneously providing direct assistance to the Tetouan Municipality for its cost recovery program.

- ii. Computerization:

- Training: The managers in the Finance Section of the FEC will acquire the tools and skills to perform more complete financial analyses of loans for multiple-component urban development projects. Their present capability is limited to brief analyses of single component projects.

Data Processing Equipment: The microcomputer and software will meet the needs for analytical and project management functions of FEC for the life of the project.

2) The National Shelter Upgrading Agency (ANHI)

a) Needs:

The Tetouan project will double ANHI's current portfolio. It will also require that ANHI open a project office for the first time. The field office will manage all technical services required for planning, design, and construction of the project.

ANHI's needs include short-term assistance, detailed assessment of data processing needs, training in data processing, and the provision of two microcomputers with appropriate software.

i. Technical Assistance and Training: Assistance, including training, is needed in financial management, in project monitoring and evaluation, and in local management of urban development projects in collaboration with local units of government and beneficiaries.

ii. Computerization:

- The Needs Assessment determined that the project would double ANHI's current beneficiary record-keeping requirements from 15 to 30 thousand beneficiary files. Computerization of these files is practically a necessity. ANHI also needs a computerized system of project accounting, as well as increased analytical capability. A more detailed assessment of needs for computer equipment and software is required as part of this effort. Formal training will be required in order to computerize record keeping and analytical functions.

b) Inputs: Inputs include short-term assistance (6.5 pm), training in data processing ( 2 pm), and the provision of two microcomputers and software.

i. Technical Assistance and Training: Six and one-half months of assistance with training by two experts, a management specialist and a community organization specialist, will be provided.

ii. Computerization:

- Training: At least two person-months of training in the use of data processing will be provided to ANHI's management staff.

- Data Processing Equipment: A more detailed assessment of needs will be performed in order to assess ANHI's data processing needs in detail and to design an appropriate microcomputer-based information system. Two microcomputers and appropriate software will be provided at an estimated cost of \$25,000 (including introductory training).

c) Outputs:

- i. Technical Assistance and Training: Organizationally, ANHI will have established tested procedures and systems for managing the technical aspects of a comprehensive urban development program, including procurement of technical and construction services, project monitoring, and financial analysis. Its staff will have acquired skills and experience in technical and managerial areas related to these functions, including the use of microcomputers for project planning and monitoring, data base management, financial analysis and the preparation of reports and briefings for decision makers and colleagues in their own and other implementing agencies.
- ii. Computerization: Two microcomputers with adequate peripheral equipment will be installed. data base management, analysis and reporting applications will have been developed by the staff and by short-term experts to meet the needs of the Project and similar initiatives elsewhere. Specifically, ANHI will dispose of a current data base of some 30,000 beneficiaries.

3) Municipality of Tetouan (MUN)

a) Needs:

The needs assessment concluded that the MUN was relatively well managed. The unplanned growth of Tetouan has resulted not so much from the quality of municipal management, but from a structure of local government that was not designed to cope with rapid expansion, locally planned and managed investment in infrastructure, or cost recovery. In the Project, the MUN will borrow funds necessary to finance the project, procure the services necessary to plan, design, and manage the project, from conception to construction, to operate the infrastructure systems thereby created, either itself or through delegated entities and the RDE. It must also recover project costs from beneficiaries by a variety of means. The MUN is not presently capable of performing the wide range functions needed by the project. Since financial constraints limit the amount of assistance available for the project, the program for the MUN is targeted to assist to MUN to obtain precise outputs.

The needs that are critical to the implementation of the project include: assistance in the areas of municipal financial management, especially the project's cost recovery program and FEC loans, organization of public works, solid waste collection and disposal, waste water system management, and computerization of accounting and analytical functions. Although a total of 16 person-months of assistance and training is allocated to MUN in the program, the MUN may also participate in assistance and training provided to the RDE, FEC, and ANHI.

i. Technical Assistance and Training:

- Financial Management: Assistance and training is needed in techniques of financial analyses and budgeting required by HG-001 but applicable to other projects as well.

- Public Works Management: Technical assistance, including training, is needed in public services management and organization including solid waste management in the project area, personnel management, task planning and budgeting, and performance evaluation.
- ii. Technical Training: An organized program of training for municipal technical staff is needed in systems operation, maintenance of physical plant, and maintenance of equipment. Municipal technicians need a training program for waste water treatment plant operation and maintenance.
- iii. Computerization: Computations for all types of accounting are now performed manually. Existing procedures are unable to cope with the increased workload of handling municipal financial records and project cost recovery files. A more detailed assessment of needs for assistance and training, including microcomputer applications development and training, is required before specifying the type of equipment and suitable software.

b) Inputs:

- i. Technical Assistance and Training: A total of eleven person-months of assistance and training will be delivered to the MUN by different specialists. The distribution of this total across specialties will be determined at the time of issuance of an RFTP.
- ii. Computerization:
  - Organized training to municipal technical staff will be delivered by a local training institute managed by the Ministry of Interior. Management staff will be trained in service systems selection, management and monitoring.
  - Data Processing: Two microcomputers and at least five person-months of applications development and training will be provided.

c) Outputs:

- i. Technical Assistance:
  - Financial Management: The MUN will have established and operated systems to monitor its performance in cost recovery and repayment of project loans and will have acquired the capability to evaluate and plan future capital investment and to assess capital resources. A complete cost recovery program will be in operation by the end of the project.
  - Public Works: Outputs include improved quality and efficiency in delivery of municipal services.
  - Staff: Municipal staff will either manage or supervise the management of a waste water collection and treatment system. They will also be experienced in municipal services organization, operations, and maintenance, functioning at levels of efficiency and performance established by a monitoring and management plan.

ii. Computerization: The MUN will have computerized internal financial operations, to manage and monitor the project including the cost recovery program and loan management, and to conduct analytical operations related to future planning and budgeting.

4) Regional Utility Company RDE

a) Needs:

The RTI needs assessment found the RDE to be well organized, well staffed, adequately computerized, and in need of only minor levels of technical assistance. Short-term assistance, in the selection of appropriate waste water treatment technology is needed, together with overseas training and local training. No training or equipment for computerization is needed.

i. Technical Assistance: The RDE will either be the owner-operator or the builder of the waste water treatment plant. This is outside the scope of RDE's present activity so that assistance will be needed in the choice of an appropriate system.

ii. Training: The technical staff needs training in the operation and maintenance of the waste water treatment system selected for the project. Training for senior staff in system management is also required.

b) Inputs: Inputs are limited to short-term assistance, study-travel, and technical staff training.

i. Technical Assistance: Approximately five person-month of technical assistance by a senior sanitary engineer will be provided. This specialist will assist RDE management in the choice of appropriate technology and in management of the physical plant.

ii. Training: Grant funded training will be provided to technical staff in a local training institute. Supervisory technicians will be trained abroad in a plant which most closely duplicates that chosen for the project.

c) Outputs:

i. Technical Assistance: The RDE, or the MUN, or both, will have chosen a waste water treatment system appropriate to the needs of Tetouan. The RDE, or MUN, or both, will be capable of operating and maintaining the plant without expatriate assistance.

ii. Training: Management and technical staff at the local level will be trained to maintain and operate the waste water collection and treatment system.

Table 2 summarizes the provision of technical assistance and training services for the four implementing agencies by major specialty.

TABLE 2

TA & TRAINING INPUTS  
TO GOM AGENCIES BY YEAR

	YEAR					PM SUBTOTAL
	1	2	3	4	5	
<u>FEC</u>						
Computer Expert	1					1
Financial Analyst	1.5	1.5	1	1	1	6
Financial Management Cons.	1	2	1	1	1	6
TOTAL PM						<u>13</u>
<u>ANHI</u>						
Computer Expert	1	1				2
Financial Analyst	1	0.5				1.5
Managerial Cons.on	1	1	1	1	1	5
TOTAL PM						<u>8.5</u>
<u>MUN</u>						
Computer Expert	1	2	1	1		5
Financial Analyst	1	1	1	1	1	5
Municipal Services Conseiller	1	1	1	1		4
Local Training				1	1	2
TOTAL PM						<u>16</u>
<u>RDE</u>						
Sanitary Engineer	1	1	-	2	1	5
Overseas Training				1.5		1.5
Local Training				0.5	0.5	1
TOTAL PM						<u>7.5</u>

#### IV IMPLEMENTATION PLAN

The full project implementation plan, as presented in Table 3, is based on current estimated schedules of HG 001 project activities in Tetouan. As in the first year scheduling, activities are scheduled to coincide with and support field activities although their detailed planning will be performed annually on the basis of adjusted estimates of the timing of the field activities.

##### A. Administration

USAID/Rabat will be responsible for central administration of the Project through its RHUDO division. The "Direction des Collectivités Locales" of the Ministry of Interior will be responsible for administration of the Project on behalf of the GOM. Administration of the Project in Tetouan will be performed, if necessary, by a resident advisor employed by USAID.

##### B. First Year Implementation

The activities set forth in this PP Supplement are scheduled to coincide with and reinforce related HG 001 activities, based on current project planning. The rationale for the timing of principal elements is the following:

Institutional development (ANHI): Assistance at the beginning of the project to coincide with the establishment of the project field office in Tetouan.

Computerization (ANHI, municipality): The needs assessment will take place after the land ownership survey is completed in the Dersa neighborhood, thereby providing information about the structure and size of the beneficiary files needing to be computerized for cost recovery of the upgrading component.

Land survey techniques (ANHI): This assistance is scheduled to coincide with the land ownership survey which will identify beneficiaries and begin the registration process, programmed for the first quarter of the project.

Financial analysis techniques (ANHI, FEC, municipality): This training will use the results of the site studies, completed during the first 6 to 9 months, as a practical case study.

Sewage treatment options (municipality, RDE): Assistance will be provided between the completion of the preliminary study and the beginning of the pre-project analysis.

Computerization (FEC): Assistance will be provided before FEC staff undertake their appraisal of the various project components.

TABLE 3  
PROJECT IMPLEMENTATION SCHEDULE

	Fiscal Year					
	1986	1987	1988	1989	1990	1991
<u>PROJECT MOBILIZATION</u>						
- Authorization	*					
- ProAg	*					
- C.P.'s		*				
- CBD Notification		*				
<u>TECHNICAL ASSISTANCE &amp; TRAINING</u>						
- RFTP		*				
- Award of Contract		*				
- Short-Term TA & Training						
<u>COMPUTERIZATION</u>						
- RFTP		*				
- Selection of Local Contractor		*				
- Assessments						
- Procurement						
- Training						
- Overseas Tng (RDE)						
<u>LOCAL TRAINING</u>						
- Grant Agreement		*				
- Training - MUN						
- Training - RDE						
<u>ENVIRONMENTAL ASSESSMENT</u>						
- RFTP		*				
- Selection of Local Contractor*						
- Assessment						
<u>MONITORING</u>						
- Reports	*	*	*	*	*	*
<u>EVALUATIONS</u>						
- Baseline	*					
- Mid-Term				*		
- Final						*

## 1. Procurement Plan

AID/Rabat will obtain the services and commodities required for the program through AID direct procurement. 1) Technical Assistance and Training will be provided from the United States. 2) Training equipment, and software for computerization will be provided locally. 3) some technical training will be provided from local sources. 4) The Environmental Assessment will be procured through competition between pre-qualified host country contractors.

### 1) Procurement of Technical Assistance and Training

The short term assistance needs of the project, over a five-year period, are such that at least six different specialties will be required, as shown in Table 4. The procurement arrangements will specify that any specialist adviser needed by more than one agency will perform his/her annual services in one continuous period in Morocco. Furthermore, the visits will be timed so that specialists will be in Morocco for overlapping periods so that annual workshops can be organized between them and the implementing agencies. The mix of experts and timing must remain flexible but this will help to reinforce the institutional model.

At least eight months' lead time will be required for procurement. Immediately after signature of the Implementation Agreement, a PIO/T should be prepared and an RFTP issued within two months.

### 2) Microcomputer Needs Assessment and Procurement

Microcomputer equipment and general software will be procured through a two-stage process. In the first stage, USAID will hire a local systems analysis firm to prepare an assessment of the general software needs of the four agencies in the context of the Project. This assessment will focus on the common information structure regarding shared data based and analysis and reporting tools. It will also include an assessment of the specific needs of each agency beyond this common core, such as word processing or utility software tailored to the particular functions of the agency within the Project. This assessment will also establish detailed specifications of the hardware, elaborating on the broad definitions in this document, such as (expanded) memory requirements, storage and backup capacity, and specific peripherals.

In the second phase, the microcomputer equipment, software, and introductory training will be procured from a local supplier. Local procurement has proved to be a viable alternative to direct procurement in the U.S., because of responsiveness to local power conditions, technical support and access to maintenance, which is important in the long run, since the GOM is required by Mission policy to take over maintenance and repair responsibilities beyond the warranty period, if any. The software will comprise regular commercial packages, such as spreadsheet analysis, data base management, or word processing. It may also include readily available templates for general software. Introductory training will be provided to familiarize analysts and administrators in the agencies with the basic operating characteristics of each item provided, and the adaptation to the needs of their work.

Any special applications developments identified in the needs assessment or in technical assistance assignments, and training of the staff in these applications will be the responsibility of the technical assistance contractor. Such applications may employ the standardized software already provided (e.g., the preparation of specific financial analysis modules using a commercial spreadsheet package) or may be written in some appropriate programming language compatible with the systems installed.

3) Procurement of Local Training

The technical training requirements of the MUN and the RDE will be met through the award of a Limited Scope Grant Agreement to a qualified GOM training institution.

4) Procurement of the Environmental Assessment

The Environmental Assessment will be procured competitively amongst qualified suppliers in Morocco, according to the scope of work in Annex C. This assessment will be timed to occur while preliminary designs for project works are being carried out so that its results may be applied to final design. This procurement process shall begin immediately following signature of the ProAg.

TABLE 4

SHORT TERM ASSISTANCE NEEDS

AGENCY	YEAR					TOTAL PM, EACH TYPE OF ASSISTANCE					
	1	2	3	4	5	A	B	C	D	E	F
FEC	A	-	-	-	-	1	-	-	-	-	-
	B	B	B	B	B	-	6	-	-	-	-
	F	F	F	F	F	-	-	-	-	-	6
ANHI	A	A	-	-	-	2	-	-	-	-	-
	B	B/2	-	-	-	-	1.5	-	-	-	-
	C	C	C	C	C	-	-	5	-	-	-
MUN	A	AA	A	A	-	5	-	-	-	-	-
	B	B	B	B	B	-	5	-	-	-	-
	D	D	D	D	-	-	-	-	4	-	-
RDE	E	E	-	EE	E	-	-	-	-	5	-
TOTAL OF EACH TYPE						8	12.5	5	4	5	6

- A - Computer Expert - Installation, Training, Application
- B - Financial Analyst/Municipal Finance and Cost Recovery
- C - Management Consultant - Urban Development
- D - Municipal Services Consultant
- E - Waste Water Systems Engineer
- F - Financial Management Consultant

Key: One letter equals one person-month.

D. Monitoring Plan

Regular monitoring of the project will be the responsibility of RHUDO/Rabat and will be assigned to the PSC project manager for the development project.

Monitoring of financial aspects will be done on a quarterly basis. Semi-annual status reports will be prepared as part of the Mission's established review activity.

E. Evaluation Plan

The evaluation of the technical assistance project will be carried out as part of the evaluation plan of the HG-001 Project Paper which specifies that the Implementation Agreement will require the establishment of an Evaluation Program for the project. In addition to the baseline survey there will be a mid-project evaluation and a final evaluation.

The Project Paper required that a Baseline Survey be performed in order to produce reference data for an impact evaluation. This survey is being performed for the other components of the Tetouan Project. The Needs Assessment performed by RTI (Annex A) is the Baseline Survey for the Technical Assistance component of this Project.

V FINANCIAL PLAN

The financial plan, Table 5, presents AID outlays by type of input and by year for the duration of the project.

Table 5

Financial Plan  
(in thousands of dollars)

Cost Element	Total	Year				
		1	2	3	4	5
Short-term Advisors	619.0	153.0	167.0	125.0	108.0	66.0
Local Training	35.0	0	10.0	10.0	12.5	2.5
Overseas Training	11.0	0	0	0	11.0	0
Equipment	85.0	30.0	30.0	15.0	10.0	
Environmental Assessment	50.0	50.0				
Totals	800.0	233.0	207.0	150.0	141.5	68.5
Mission	500.0					
RHUDO	300.0					

The estimated total program cost is tabulated in Table 6. The GOM costs represent the estimated value of personnel, physical plant and operating expenses which the participation of GOM agencies will entail.

Note: This Financial Plan does not include costs of a resident advisor in Tetouan who may be funded either from this grant or with RHUDO/NE program monies.

Table 6  
Total Program Cost  
(in thousands of dollars)

	<u>----</u>	<u>GOM</u>	<u>TOTAL</u>
FEC	214.65	71.50	286.15
ANHI	160.55	53.50	214.05
MUN	285.00	95.00	380.00
RDE	89.90	30.00	119.80
Environmental Assessment	<u>50.00</u>	<u>17.00</u>	<u>67.00</u>
Total	<u>800.00</u>	<u>267.00</u>	<u>1,067.00</u>

VI ANALYSES

HG-001 addresses a significant problem confronting all cities in Morocco: the rapid growth of unregulated and unserved neighborhoods. This type of development, in which an estimated one out of eight Moroccans live, is characterized by a lack of adequate infrastructure, illegal land tenure arrangements, lack of land development authorization, and a generally lower than average income level of the inhabitants. These neighborhoods are evidence of an institutional difficulty in providing sufficient low and medium income housing due to unresponsive land development and building authorization procedures, difficulty in extending urban infrastructure at a pace which matches demand, and an under-utilization of government owned land for housing.

HG-001 presents a new approach to solving the problem of clandestine neighborhoods in that it integrates innovative institutional arrangements and housing supply and urban service provision solutions. An analysis of the capabilities of the implementing institutions indicates that while some of the institutions are well established, others are relatively young and growing. Furthermore, even the well established institutions are evolving as their roles in the urban development process change in response to growing urban pressures at the local level and national policy measures, particularly decentralization. The successful implementation of HG 001 will not only provide a model which can be replicated in other cities, but it will also reinforce the GOM policy of decentralization.

A. Institutional Analysis

The institutional assessment ("Technical Assistance and Training Needs Assessment: Tetouan Urban Development Project", attached as an appendix), strongly recommended technical assistance and training to strengthen existing capabilities and to form new capabilities which are required by the project. A summary of the findings of the assessment for each institution follows.

1. ANHI

The Agence National de lutte contre l'Habitat Insalubre (National Agency to Combat Substandard Housing) was established in 1984, under the Ministry of Housing, as a public institution capable of undertaking a range of land development activities to improve substandard housing. The agency's experience since its establishment consists of thirteen projects in eight cities including sites and services projects, relocation projects, and one upgrading project.

While at the beginning ANHI intended to finance its operations largely through central government budget allocations through the Ministry of Housing, the unreliability of this source has led to other financing arrangements. Recent approaches include focusing on projects for which financing is available, undertaking profit-making projects, and obtaining domestic or international loans.

ANHI may enter into a project either as the implementing agency (in which case it receives funding directly) or as the delegated implementing agency in which case it acts on behalf of another party. In view of financing possibilities for projects, ANHI management views the latter mechanism as its primary means of project involvement, particularly acting on behalf of municipal governments. This operating mechanism has been included in the design of HG 001.

A Board of Directors, chaired by the Minister of Housing, approves ANHI projects and joint commission composed of the ministries of Housing and Finance and ANHI staff reviews all contractual arrangements for land development and sales. Internally, ANHI is headed by a director general who oversees the work of the Technical Directorate, the Finance and Accounting Department, and the Commercial Department. The Technical Directorate may be responsible for all phases of design, engineering and construction of projects. The Finance Department is responsible for accounting, project financial management including beneficiary files, and personnel. Financial management is currently conducted manually.

Currently, the Agency staff is small, due to a deliberate pace of recruitment based on project needs. The Rabat office to this point has been the management center for all operations. However, for projects which are the magnitude of the Tetouan project, ANHI management proposes a decentralized field office which will have considerable management responsibilities. This structure has not yet been applied in other projects.

In HG-001, ANHI will act as technical advisor for the municipality. As such, it will have responsibility for all construction management. Preparation of the nearly 12,000 beneficiary files, and coordination of the participating agencies in Tetouan. The Agency has undertaken one up-grading project until now and the budget of HG 001 will almost double its current project budget

## 2. THE MUNICIPALITY OF TETOUAN

Tetouan is the second largest city in northern Morocco and is prominent as an administrative and a tourist center. These characteristics have in part contributed the rapid population growth in recent years: a doubling since independence or an average annual rate of 3.29%. Nearly 25% of this population lives in the Dersa clandestine neighborhood. Located on steep, marginally suitable land, the neighborhood lacks proper authorization for development, adequate infrastructure, and land titles.

The creation and continued extension of Dersa and similar neighborhoods is a result of the city's inability to extend urban infrastructure, a slow and unresponsive land development authorization process, and under-utilization of government land for housing. The land development process rests on the Plan Directeur, a development plan prepared by the Department of Urban Planning (now part of the Ministry of the Interior) and approved by the central government. It is intended to guide infrastructure provision and control detailed land uses. Subdivision approval and subsequently building permit approval depend on the existence of and conformity to the Plan Directeur. The plan for the Dersa area was approved in 1986. The municipality is responsible for approving development requests and authorizing building construction.

Land titling is the responsibility of the Cadastral Division in the Ministry of Agriculture, but Tetouan's unique history has played a role in the current difficulties in land registration. The Khalifian system practiced under the Spanish was not rescinded by decree until 1977. All titles were at that point required to conform to the Torrens system introduced in the rest of the country in 1913. Only 45% of titles have been transformed.

The municipal administration is divided into administrative and technical services. The Administrative and Financial Service maintains civil records, manages the budget and all municipal finances including revenue generation, and maintains personnel records. All financial management operations are conducted manually.

The Technical Service (Public Works) is responsible for the physical development of the city. It includes garbage collection, sewage disposal, street cleaning, and land development authorization. Sixty percent of municipal staff are in the service and the majority are laborers. Although the city has attempted to improve the productivity of the service by recruiting young trained professionals for key positions, in spite of their apparent motivation, they lack the specific technical and managerial experience required for the successful operation of the service. The environmental assessment for HG 001 drew particular attention to problems of solid waste collection and disposal and storm water management.

In HG 001, the municipality will be the borrower of all required funds from the FEC, and therefore responsible for cost recovery and reimbursement to FEC. Although the municipal cost recovery experience generally appears to have been good, the project will impose a scale of cost recovery which is far beyond normal municipal operations. Approximately 12,000 beneficiary files will be required to recover costs from the on-site works (excluding the sewage treatment plant). Furthermore, the 16 to 20 million dirham annual repayments to FEC are near the total municipal operating budget and will require efficient and effective financial management.

The municipality will also be responsible for providing urban services and maintaining infrastructure funded under the project. For some services, this will occasion a review of service provision to make it more efficient. In other cases such as solid waste collection in Dersa, it will require design of new service delivery methods in light of the physical constraints placed on collection there. Still further, HG 001 may require the municipal staff to learn new skills, such as sewage treatment plant operation.

### 3. FEC

The Fonds d'Equipeement Communal (Community Infrastructure Fund) was established in 1959 to provide loans to local governments for urban infrastructure. A unit of the Caisse de Depots de Gestion, FEC activities are reviewed and approved by a technical committee composed of representatives of the Ministry of Finance, Ministry of Interior, and Bank of Morocco.

In support of national policy, FEC lending targets small towns where small investments, generally under 6.5 million DH, are needed. Loans are made available for a wide range of infrastructure such as water and electricity distribution systems, road networks, public commerce infrastructure, and urban site development. In 1985, of a total of 152 MDH loan disbursements, 49 MDH went to the first FEC loan for an up-grading project.

FEC is organized into four functional divisions. The Operations Division is the largest technical division and is responsible for loan appraisal. Staff in the division include engineers, financial analysts, and technicians. Specialization in lending areas has come largely through on the job training. The Administrative and Finance Division is responsible for internal financial management and loan management. FEC accounts are maintained on CDG mainframe computers to which staff do not always have immediate access, and never in an interactive mode. There is no in-house computing capability for loan analysis although Funds through a World Bank loan have been made available for the purchase of a microcomputer.

According to the financial circuits of HG 001, FEC will receive dirham amounts of the US dollar loan from the Bank of Morocco for on-lending to the municipality. It will then be responsible for reimbursing the dirham amount to the Bank of Morocco. In its role as lending institution, FEC will conduct appraisal of the loan requests. Because ANHI will have prepared the requests, it is expected that FEC review will be facilitated. The FEC will also monitor the activities of the other implementing agencies to assure their compliance with the Program Delivery Plan as will be agreed upon in the 608-HG-001 Program Agreement. Although HG 001 will present a new range of issues to FEC staff (sewage treatment, upgrading, and ZAC type development), their role in monitoring project progress will be minimal due to the field presence of ANHI. Negotiation of loans, however, will require sensitivity to issues such as cost recovery mechanisms and the FEC is expected to provide technical assistance and support to the Municipality of Tetouan in this activity.

### 4. RDE

The Regie Autonome was established in 1970 to provide water and electricity to the Tetouan provincial area. Its service area was later enlarged to include urban Tetouan and Larache. The Regie manages its water supply sources but purchases electricity for distribution in its grid.

Current staff number approximately 800 and are located in the main office in Tetouan and in branch offices in Larache and Ksar el Kbir. The organizational structure of the utility divides staff into three divisions: water supply and distribution, electricity, and general affairs which is responsible for feasibility and market studies. In addition, an attaché to the Director is responsible for the utility's internal training program. Although an inter-utility accounting service in Casablanca computerizes all utility billings, the RDE maintains its own mini-computer-based system for customer accounts, inventory, and personnel.

RDE's role in HG 001 will include provision, under contract to MUN, of on-site water, electricity, and street lighting, construction of off-site water and electricity infrastructure, and probably construction supervision and operation of the sewage treatment plant. Related to this infrastructure, will be cost recovery through hook-on fees and service surcharges. While the water and electricity service elements are typical responsibilities for the utility, the Regie has no experience in sewage treatment. Furthermore, if cost recovery for sewage treatment is to be provided through user charges, new legislation will be required similar to that recently passed for a pilot program in Casablanca.

#### B. Social Soundness Analysis

A social soundness analysis was completed for HG 001 and is contained in the Project Paper as Section VI-D. No further analysis is required for this component.

#### C. Environmental Analysis

An environmental analysis was completed for HG 001 and is contained in the Project Paper as Annex I. It will be necessary for RHUDO/Rabat to prepare an environmental assessment prior to designed implementation of the waste water treatment plant and disposal system included in the project. This work will be carried out in cooperation with the Bureau Environmental Coordinates and the mission environmental officer. The assessment will be conducted by a host county engineering firm.

LOGICAL FRAMEWORK

<u>I. Sector Goal</u>	<u>Measure of Goal Achievement</u>	<u>Means of Verification</u>	<u>Assumptions for Achieving Goal</u>
Improvement of shelter conditions in urban areas of Morocco for low income families	Improvement in census housing indicators for urban areas	Comparison of 1982 and 1990 census data	Continued GOM support of program shelter goals with priority given to low income groups
<u>II. Purpose</u>	<u>End of Project Status</u>	<u>Means of Verification</u>	<u>Assumptions for Achieving Purpose</u>
- To strengthen the institutional capacities of the GOM agencies implementing the Tetouan Urban Development Project and other similar projects	<ul style="list-style-type: none"> <li>- Successful completion of project activities through a cooperative effort of the implementing organizations</li> <li>- Established and tested procedures and systems for interagency cooperation that can be deployed in other comprehensive urban development projects.</li> </ul>	<ul style="list-style-type: none"> <li>- Assessment of impact of the program as compared with the needs assessment</li> <li>- Records and reports of USAID and GOM agencies</li> </ul>	<ul style="list-style-type: none"> <li>- Continued GOM implementation of sector policy reforms</li> <li>- Availability of adequate public resources</li> </ul>

III. Project Outputs	Magnitude of Outputs	Means of Verification	Assumption for Achieving Outputs
<ul style="list-style-type: none"> <li>- Explicit management structures, reporting and decision procedures linking the implementing agencies in a project orientation; procedures and structures described and explained in documents and handbooks;</li> <li>- Improved staff skills in project planning, management and monitoring in data base design, financial analysis, and communication (report writing, briefings);</li> <li>- Operating microcomputer based systems for project planning, financial and technical analysis, and large beneficiary as well as other data bases.</li> </ul>	<ul style="list-style-type: none"> <li>- Effectiveness of management structures, reporting and decision procedures; (4 agencies)</li> <li>- Adequacy of documents and handbooks, both for the purposes of this Project and for future use in comprehensive urban development projects elsewhere;</li> <li>- Number of managerial, (15) technical (16) and other (12) staff trained; improvements in skills and experience by functional area and by implementing agency (4);</li> <li>- Performance of and documentation for microcomputer-based systems and data for the project and future uses. (approx. 11,000 beneficiary files)</li> </ul>	<ul style="list-style-type: none"> <li>- Project evaluation: <ul style="list-style-type: none"> <li>- management audit</li> <li>- skills assessment</li> <li>- documentation review</li> <li>- software tests and data review</li> </ul> </li> <li>- Records of GOM agencies</li> <li>- TA and training assignment reports, including trainee appraisals</li> </ul>	<ul style="list-style-type: none"> <li>- Selection of viable GOM participant agencies</li> <li>- Availability of consultants</li> <li>- GOM allocation of staff and supporting resources</li> </ul>

IV. Inputs	Implementation Targets			Means of Verification	Assumptions for Providing Inputs
	Agency	TA	Commodities and Grants		
- Technical assistance to GOM agencies through a long term contract with an expatriate firm	FEC	198	15	USAID and GOM records of:	- Relevance of project activities to the needs of the beneficiary institutions
- Procurement of computers, equipment, accessories, and training	ANHI	130	30	- obligations	- Availability of funding
- Grants for training programs conducted by in-country institutions	MUN	215	40	- disbursements	- CP's and covenants met
- Grant for performance of an environmental assessment	RDE	76	11	- audits	
	MOI		35		
	Env. Ass.		50		
	Sub-				
	total	619	181		
	<u>TOTAL</u>	<u>1,067</u>			
	USAID	800			
	GOM	267			

ANNEX E  
LOGICAL FRAMEWORK  
TETOUAN UPGRADING PROJECT

<u>I. Sector Goal</u>	<u>Measure of Goal Achievement</u>	<u>Means of Verification</u>	<u>Assumptions for Achieving Goal</u>
Improvement of shelter conditions in urban areas of Morocco for low income families	Improvement in census housing indicators for urban areas	Comparison of 1982 and 1990 census data.	GOM continues to support program shelter goals with priority to low income groups

<u>II. Purpose</u>	<u>End of Project Status</u>	<u>Means of Verification</u>	<u>Assumptions for Achieving Purpose</u>
1. To upgrade a clandestine settlement, and prevent its spread, in a major Moroccan secondary city.	1. Increased availability of low income housing 2. Provision of critical environment services to major urban center	1. CDG/FEC and CIH records, USAID evaluation reports with reference to baseline surveys, and municipal records.	settlement, and prevent Moroccan secondary city. private sector in urban development process. 2. GOM continues to place high priority on addressing clandestine and low income housing problems
2. To develop a model of a comprehensive approach to urban development and shelter finance for low-income families.	3. Institutional structure capable of implementing similar projects in other urban areas 4. New initiatives by financial institutions to strengthen private sector activities in the housing sector 5. Reinforced GOM policies aimed at addressing clandestine settlement problems 6. Strengthened local government capabilities to deliver cost effective services		3. adequate public resources are available 4. agencies involved have authority and resources to hire and train competent staff 5. environmental concerns are addressed 6. market incentives exist for private sector involvement with municipality's shelter delivery process

LOGFRAME from 608-HG-001  
PROJECT PAPER

APPENDIX to ANNEX A

III. Project Outputs	Magnitude of Outputs	Means of Verification	Assumption for Achieving Outputs
<b>A. <u>Upgrading</u></b>			
1. completion of infrastructure improvements: <ul style="list-style-type: none"> <li>a. sewer</li> <li>b. water</li> <li>c. electricity and street lighting</li> </ul> 2. registry of all titles of ownership 3. sale of municipal land to all existing building owners who do not now own their land	1. completion of all services in an area of 90 hectares containing 7500 buildings and 9500 households 2. 7500 property titles 3. 3300 plots registered and sold	1. project records 2. municipal cadastral records 3. municipal records	1. beneficiary advances made 2. municipality/RDE carries out infrastructure work 3. funds from all project sources flow on schedule 4. improvement and continued functioning of municipal cadastral services 5. occupants able and willing to pay for land title
<b>3. <u>Sites and Services</u></b>			
1. provision of primary and secondary infrastructure to entire site <ul style="list-style-type: none"> <li>a. water</li> <li>b. sewer</li> <li>c. electricity and street lighting</li> <li>d. roads and walkways</li> </ul> 2. division of site into plots to be sold	1. 4000 low income sites 2. 10 hectares of middle income villa sites 3. 15 hectares of apartment building sites 4. 1.5 hectares of commercial building sites 5. 3.5 hectares of institutional sites.	1. project records	1. reimbursable expenses under HG loan will match available financing 2. market demand exists for sites to be sold 3. targeted purchasers develop sites under purchase agreement

Project Outputs (cont'd)	Magnitude of Outputs	Means of Verification	Assumption for Achieving Outputs
<u>C. ZAC</u>			
1. Supply of primary infrastructure to privately owned land	1. 70 hectares of private held land is serviced, developed by private owners and sold by them to low income households	1. project records	1. landowners willing to pay for infrastructure  2. landowners willing and able to develop land for target population
<u>D. Offsite Sewerage</u>			
1. Construction of 2 primary sewage/ stormwater collectors	1. Treatment of all wastewater and industrial effluents for 30 years	project records	1. GOM Policy reform is carried out, i.e; delegation of authority to MUN to generate and use tax revenues to pay for offsite sewerage.  2. Secondary and tertiary systems are put in place.
2. Construction of sewage treatment plant			
<u>E. Technical Assistance</u>			
Increased capability of City of Tetouan to deal with clandestine settlements	1. Mix of technical assistance to improve municipal performance in project management, property registration, tax collection, and delivery of municipal services	1. project records	1. availability of counterparts  2. effectiveness of experts delivering T.A.  3. cooperation of municipal officials

IV. Project Inputs	Implementation Target	Means of Verification	Assumptions for Providing Input
A. HG Program Loan	U.S. \$18.27 million HG Loan 1. upgrading 2. sites and services 3. offsite sewerage 4. equipment.	Records of USAID, FEC, Municipality of Tetouan, Ministries of Housing, Interior, and Finance	Housing Guaranty loan authorized
B. GOM contribution	U.S. \$7.0 million	same	GOM provides transfer of title for land
C. FEC loan	U.S. \$7.82 million	same	FEC loan resources available
D. Beneficiary Payments	U.S. \$14.3 million	project records	beneficiaries willing and able to provide
E. Technical Assistance	U.S. Grant FY 86-87.	project records	Grant funding available

ANNEX B

RTI Project No. 2813-18

USAID Project No. 608-0194

Technical Assistance and Training Needs Assessment

Tetouan Urban Development Project

Submitted to:

United States Agency for International Development  
Rabat, Morocco

Submitted by:

Henry P. Minis, Jr  
Research Triangle Institute

and

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Consultant

March 1986

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Technical Assistance and Training Needs Assessment  
Tetouan Urban Development Project

SECTION 1.0 SUMMARY OF FINDINGS

HG 001 presents a new approach to solving problems of clandestine and bidonville housing in Morocco in that it integrates innovative institutional arrangements and housing supply and urban service provision solutions. It approaches the problem on a scale and with a model that, although new to Morocco, should be replicable to other secondary cities, if successfully implemented in Tetouan.

The purpose of this report is to present an assessment of the participating agencies' capacity to implement the project and to recommend training and technical assistance activities to strengthen implementation capacities, where needed. The institutional analysis indicates that while some of the institutions are well established, others are relatively young and growing. Furthermore, even the well-established institutions are evolving as their roles in the urban development process change in response to growing urban pressures at the local level and to national policy, particularly decentralization. HG 001 presents a challenge to these institutions due to the innovative character of the project. The successful implementation of the HG 001 will not only provide a model for the resolution of problems which plague cities throughout Morocco but will also reinforce the GOM policy of decentralization and local government strengthening.

The assessment finds that implementation responsibilities generally correspond to the mandates and experience of the respective institutions. Exceptions are the current estimated annual debt reimbursement required of the municipality of Tetouan and the construction and operation of the regional sewage treatment plant.

In order to successfully implement HG 001, the report strongly recommends training and technical assistance activities in order to strengthen existing capabilities and assistance in forming new capabilities which are

required by the project. The proposed activities consist of a resident advisor to assist in project implementation in Tetouan, short-term experts to provide structured training experiences and assistance in implementation, contracts with local training institutions, and micro computer procurement. The focus of activities by institution is the following.

Fonds d'Equipement Communal (FEC): training in specific subjects related to upgrading and sites and services projects, computerization;

Agence National Contre l'Habitat Insalubre (ANHI): assistance in central office organization, technical training for staff in Rabat and in the Tetouan field office, computerization of both offices;

Municipality of Tetouan: training in financial management, assistance in organization of the public works department and training for staff in delivery of key services, computerization;

Regie Autonome Intercommunale pour la Distribution d'Eau et d'Electricite (RDE): training in sewage treatment plant design and operations.

## SECTION 2.0 BACKGROUND AND DESIGN OF HG 001

As the growth in recent years of Morocco's urban centers has outstripped the supply of adequate housing, slum communities (bidonvilles) and illegal but substantial housing units (clandestine housing) have resulted. While the importance of slums has decreased since the 1970's, clandestine neighborhoods have grown rapidly. In 1983, it was estimated that one in eight Moroccans lived in these neighborhoods, most of this population living in the twelve largest urban areas.

Clandestine neighborhoods pose a particular problem because of their unplanned nature. They lack adequate infrastructure and are located on land which may be unsuited or marginally suited for housing development, making the provision of infrastructure difficult and costly. Having evolved outside of the fabric of urban life, their residents are deprived of the benefits of urban life and the local government is deprived of the revenue potential of the neighborhoods.

A World Bank report (1983) identifies five principal characteristics of clandestine neighborhoods: They are:

- 1) lack of legal authorization for land development activities and individual building construction;
- 2) inadequate physical and social infrastructure;
- 3) prevalence of phased, self-help style construction;
- 4) lack of formal land titles; and
- 5) average household income of residents 40% lower than the urban norm.

These neighborhoods have grown in response to rapid population growth in urban areas, unresponsive land planning and building regulations, underutilization of government-owned land for housing, and the government's inability to extend infrastructure at a pace which matches the demand. Particularly noteworthy has been the government's inability to harness the considerable land speculation activities and channel them into positive development forces.

In Tetouan, the Dersa neighborhood includes both bidonville and clandestine development. It has so grown in size that nearly 25% of the municipal population now lives there. It is characterized by lack of proper land titles, a narrow and unplanned road network, and inadequate water, electricity, and other urban services.

The first attempt to remedy the situation was the Dersa Zone Development Plan of 1966. Unimplemented, it later became an upgrading project in the 1981-1985 Five Year Plan. Aware of the need to not only improve conditions in Dersa but also provide an outlet to prevent future clandestine neighborhoods, the project was enlarged to include a sites and services component. This change reflects the emphasis of GOM housing policy to address the clandestine housing problem. Because clandestine neighborhoods are as much an urban service problem as a housing problem, the response necessarily addresses a wide range of service delivery questions.

The purposes of HG 001 recognize the specific problems of Tetouan and the nationwide problem of clandestine and bidonville housing. As stated in the Project Paper, the purposes are:

"a) to upgrade a clandestine settlement, and prevent its spread, in a major Moroccan secondary city and b) to develop a model of a comprehensive approach to urban development and shelter finance for low income families by bringing together a number of agencies at both central and local levels."

To these ends, the project includes five principal components and technical assistance to strengthen the participating agencies' ability to implement the project. They include the following.

- 1) The institutional component which brings two national level institutions, ANHI and FEC, into the design. As they are the institutions charged respectively with combatting substandard housing and providing loans for infrastructure, they will participate in replications of the project;

- 2) The upgrading component proposes to improve services and regularize land titles for the Dersa-Samsa residents. Low income beneficiaries will receive a cross subsidy through the sale of residential plots at market prices in other sections of the project;
- 3) The sites and services component consists of development of a new area to accommodate relocations from the upgrading area and future residents seeking titled and serviced plots;
- 4) The Zone d'Amenagement Concerté (ZAC) component represents a new approach to integrating the private sector by providing primary infrastructure to landowners who then may subdivide and sell plots;
- 5) The off-site infrastructure will include sewer collectors and a water tower for the project area and a sewage treatment plant to serve all of Tetouan and the neighboring city of Martil.

The project integrates the activities of four major actors (the municipality of Tetouan, ANHI, FEC, and the RDE) for the first time. Their respective general responsibilities are:

FEC: onlending of project funds to the implementing agencies,

ANHI: delegated implementing agency for site design, implementation of on-site infrastructure, preparation of beneficiary files, and thereby the primary coordinator of the project,

Municipality of Tetouan: borrower of the major portion of the project funds, cost recovery, provision of most urban services to the project area,

RDE: delegated implementing agency (or possibly the borrower) for the off-site infrastructure, cost recovery, installation of on-site water and electricity.

HG 001, as a major pilot attempt to solve a pressing problem in a secondary city, supports GOM policies of decentralization. Major initiatives have recently been undertaken to strengthen both municipal governments and the ability of the central government to provide support and

oversight. A significant local finance reform, intended to provide more financial resources to local governments, is currently under debate. A second action includes the transfer of urban planning responsibilities from the Ministry of Housing to the Ministry of Interior. Among other things, this transfer should improve the link between capital projects planning and their funding. A third action expected to be undertaken in 1986 involves the creation of a national local government training center to provide in-service and pre-service training for local government officials. A final initiative under discussion would remove the FEC from its current parent organization and establish it as an autonomous development bank.

## SECTION 3.0 NEEDS ASSESSMENT AND RESULTS

### 3.1 Rationale

As the background information indicated, HG 001 represents a new approach to solving problems of sub-standard and clandestine housing in Morocco. It also provides an innovative way to include the private sector in an urban development project. The project's successful implementation will require the concerted efforts of four separate agencies which, for the first time, will cooperate on a project of this magnitude and orientation. Project implementation will require the participating agencies to exercise their institutional responsibilities in an efficient and effective manner and generally on a scale which is beyond their typical operations. Some of the functions required for the successful implementation of the project are new to the agency responsible for their exercise. These responsibilities and the institutional capabilities of the respective agencies are further elaborated in later sections of this report.

Although the participating agencies are sound and basically well managed, the innovative nature of this project, in terms of its substantive focus, institutional relationships, and magnitude, require technical assistance and training geared to each institution. Without this assistance, the chances for incomplete success and only partial achievement of project goals, particularly diminishing the potential for replication, would be substantial.

A range of technical assistance and training activities are proposed for each of the participating institutions as a function of their responsibilities in the project. While it is not always easy to make the distinction between strengthening an institution's ability to implement one project and strengthening its general capabilities, the activities proposed in this report aim primarily at the implementation of HG 001. In so doing, the objective of creating a replicable model will also be met. Strengthening those elements of ANHI and the FEC (as institutions with national-level mandates) which are critical to the implementation of HG 001 will ensure that they are capable of repeating the experience. Strengthening vital elements of the municipality and the RDE will indicate which and how

elements in other municipalities or utilities must be strengthened if they are to undertake a similar project. The success of the ZAC component will be a particularly useful model of a new and productive relationship between local government and the active private land development interests.

In some cases, assistance to a sub-system of one of the institutions is necessary as the sub-system plays a significant role in the project while in other cases, limited technical support or training is deemed necessary, reflecting the strength of the institution and its role in the project. Computerization is recommended for three of the four institutions because of the large volume of data which must be processed and because of the significant benefits which can be realized by a relatively modest investment.

At the time of the needs assessment, the project advanced in the definition of the institutional relationships. More definition will occur before the final configuration of responsibilities is determined. Despite the continued evolution of the project, the proposed package of training and technical assistance should fit most of the possible final designs. Where major alternatives exist, they are addressed in the proposed program.

### SECTION 3.2 GENERAL ORIENTATION OF PROPOSED TA/T ACTIVITIES

The proposed program of training and technical assistance activities is composed of four principal elements. They include a resident advisor, short-term consultants, local training institution contracts, and equipment procurement.

The resident advisor will be located in the project field office in Tetouan as counterparts to the ANHI field office director. The advisor will play the double role of providing technical assistance in project implementation and coordinating TA/T activities in Tetouan. Assistance in implementation is required to guide the operations of the staff from ANHI and the municipality in the field office. Few Moroccan professionals have had experience in the implementation of a project of this magnitude and of this broad a scope. The resident advisor will be responsible for assisting the ANHI staff in the implementation of the development activities, assisting the municipality in service provision, cost recovery, and financial management, and assisting in the integration and coordination of activities of all four participating agencies.

The resident will also play a key role in coordinating the TA/T activities in Tetouan, where the majority of the assistance is planned. Coordination will occur in the form of preparing annual TA/T work plans in collaboration with AID/Rabat and/or a U.S.-based manager, providing logistical support (with administrative assistance) for short-term advisors, and assuring adequate preparation and follow-up to short-term advisors. From his position in the field, the resident advisor's understanding of specific implementation problems, training needs, and scheduling constraints will make his input into work plans particularly valuable. Furthermore, a resident advisor should be familiar with U.S. contracting and procurements procedures, an understanding which will be vital to this role. The significant level of short-term assistance proposed for Tetouan (to the municipality, ANHI field staff, and the Regie) is likely to encounter serious difficulties in implementation and to be less effective if the coordination and management capacity is not present in Tetouan.

A variety of short-term advisors are proposed to support specific areas of project implementation. Because training is required for staffs in Rabat and Tetouan, a model for some of the advisors might be to provide a short, structured training session (workshop) in Rabat followed by a field visit to Tetouan where the material presented in the workshop would be applied. For example, a training session on municipal financial impact analysis might be provided to FEC and ANHI staff in Rabat followed by a site assessment with the municipality. While this formula is appropriate for some topics which cut across agency interests, other assistance can only be targeted to one institution. To the extent possible, all short-term assistance should include a structured training session for one or two days at the beginning of a mission to present material related to the subject of the mission.

Continuity of assistance should be a feature of the technical assistance portion of the program. Particularly for ANHI and the municipality where the design and implementation of systems or management techniques is called for, repeated visits of the same expert should be encouraged.

While many of the assistance activities are expected to be provided by overseas experts, particularly those destined for senior management or covering highly technical subjects, a significant amount of training can be provided by local institutions. The Ministry of Interior Training Division manages a large number of technical training schools and currently provides a significant amount of in-service training for local government staffs at the skilled laborer, technician and administrator level. In addition to their own small staff, the Division relies on a network of consultants and previously trained professionals as trainers. It is proposed that training contracts be provided with this institution for the technician training in the municipality and at the RDE. Furthermore, it is suggested that the Division be asked to participate through a staff member or expert consultant as observer (and perhaps provide logistical support) in the training sessions proposed for those agencies' senior staff.

Within the context of the general approach above, the sections which follow present an assessment of each of the four participating institutions. The assessments are generally structured according to background material about each institution, organization and staff, role in HG 001 and institutional capacity, and recommended TA/T activities.

## SECTION 3.3 FONDS D'EQUIPEMENT COMMUNAL (FEC)

### 3.3.1 Background, Purpose, Activities

The FEC was created as a public agency with financial autonomy in June 1959 for the purpose of providing loans to local governments (including municipalities, rural towns, and utilities) to finance their capital development. Administrative and financial management is provided by the parent organization, the Caisse de Dépôts de Gestion (CDG). As the parent organization and provider of the majority of resources, the CDG, through its director, retains control over FEC policy. However, the director of the FEC has taken significant initiative to make the agency an active partner in municipal development by defining a targeted lending policy, implementing loan approval criteria, and diversifying resources.

As defined by the Dahir, FEC resources include loans from the State, advances from the CDG, grants on the national budget, interest and repayments from loans, and grants from other sources. In 1984, resources included 73.89 million DH of the FEC endowment and grant for prefeasibility studies, long- and mid-term loans including a \$16 million World Bank loan and a loan from the Islamic Development Bank, and short-term loans and advances totalling 484.02 million DH largely from the CDG.

The FEC lending policy is designed to reinforce national development policy by targeting investments in regions and sectors which are identified as national priorities. Consistent with national policy since 1980, the agency has given priority to investments in rural towns and to small investments, generally under 6.5 million DH. As defined by FEC lending policy, loans are made available for the following: water distribution systems, electricity distribution systems, wastewater treatment, solid waste treatment, urban transportation, social and public commerce infrastructure (such as markets and slaughter houses), urban site development, and feasibility studies. Although the composition of the loan portfolio has varied from year to year, Exhibit 3.3.1 indicates loans by type and by recipient (local government or independent utility) for 1984 and 1985.

Exhibit 3.3.1

APPROVED LOANS TO LOCAL GOVERNMENTS (C.L.) AND  
UTILITIES (RA) 1984, 1985

(en MDH)

Nature des travaux	30/09/1984				30/09/1985				
	C.L.	R.A.	Total		C.L.	R.A.	Total		
			MDH	%			MDH	%	
Assainissement	25,65	-	25,65	22,96	20,23	10,000 <sup>1</sup>	30,23	21,47	
Constructions	41,40	-	41,40	37,06	39,27	-	39,27	27,89	
Véhicules	0,75	-	0,75	0,68	0,20	30,14	30,34	21,55	
Voiries	14,15	-	14,15	12,67	7,42	-	7,42	5,27	
Adduction d'eau	0,45	15,30	15,75	14,10	0,74	15,09	15,83	11,24	
Electriciations	-	14,00	14,00	12,53	0,71	17,00	17,71	12,58	
Total	MDH	32,40	29,30	111,70	100,00	68,57	72,23	140,80	100,00
	%	73,77	26,23	100,00	-	48,70	51,30	100,00	-

<sup>1</sup> Compte tenu de l'avance de 1 000 000,00 DH débloquée au profit de la R.E.D. en 1984 et consolidée en prêt le 1/03/1985.

Source: FEC Report of Activities to 9/30/85.

C.L. = Collectivités Locales (local governments)

R.A. = Régies Autonomes (utilities)

The total of loans approved in 1985, 152 million DH, was composed of 22 loans, including 6 to municipalities, 15 to rural towns, and 1 to the urban transport authority in Casablanca. This compares to the actual disbursements during the same periods as shown in Exhibit 3.3.2.

The loan for an upgrading project (aménagement urbain) in 1985 marked the first time that FEC lending extended to the problems of substandard (bidonville) or illegal (clandestine) settlements. The project in Oulad Moussa (Prefecture of Salé) will be followed by the AID-funded project in Tetouan, and World Bank projects in Tanger, Oujda, Fes, Marrakech, and Salé. Beyond understanding of the engineering and economic aspects of conventional infrastructure projects, these more complex projects will require sensitivity to institutional capacities, cost recovery mechanisms, and beneficiary population involvement.

In 1980, the FEC management undertook new initiatives to fulfill its role in municipal development. The initiatives reflected the shift of the organization from a passive to a more active role in identifying, preparing, and monitoring loans. The permitted lending rate was increased from 6% to 8.5% with an interest subsidy of 3% by GOM to small communes. The agency management also conducted information and assessment missions to local governments to discuss FEC loans and solicit requests. At the same time, greater effort was put into increasing and training the agency staff to respond better to an increasing demand for loans.

FEC staff involvement has increased in the preparation and management of loans in recent years. Selection criteria and project appraisal methods have been strengthened so that complete analyses of technical, economic, and financial feasibility are conducted. Based on a review of some appraisal reports, one area which might be strengthened is the analysis of the financial impact and implementation capacity of the borrower local government. This would serve a didactic purpose for the borrower and strengthen the development role of the FEC. Along these lines, the FEC Director reports that project preparation includes recommendations to recipient agencies regarding improvements to local operations associated with the loan. Similarly, staff are asked to take an active role in monitoring project progress. These activities are consistent with FEC

Exhibit 3.3.2

DISBURSEMENTS TO LOCAL GOVERNMENTS (C.L.) AND  
UTILITIES (R.A.) 1984, 1985

Nature des travaux	30.09.1984				30.09.1985			
	C.L.	R.A.	MDH	Total %	C.L.	R.A.	MDH	Total %
Assainissement	14,55	-	14,55	52,85	2,41	-	2,41	1,58
Constructions	3,73	-	3,73	13,55	34,55	-	34,55	22,60
Véhicules	-	-	-	-	-	57,00	57,00	37,38
Voirie	3,80	-	3,60	13,08	-	-	-	-
Adduction d'eau	1,40	4,25	5,65	20,52	0,72	-	0,72	0,47
Aménagement urbain	-	-	-	-	49,00	-	49,00	32,05
Zones industrielles	-	-	-	-	9,20	-	9,20	6,02
MDH	23,28	4,25	27,53	100,00	95,88	57,00	152,88	100,00
Total								
%	84,56	15,44	100,00	-	62,72	37,28	100,00	-

Source: FEC Report of Activities to 9/30/85.

C.L. = Collectivités Locales (local governments)

R.A. = Régies Autonome (utilities)

management's view that the agency has a technical assistance mission associated with the provision of resources for local development.

Following staff appraisal, loan requests are reviewed by the FEC Technical Committee composed of representatives of the Ministry of Interior (Direction des Collectivités Locales), the Ministry of Finance and the Bank of Morocco. In addition to loan approval, the FEC director relies on the Committee for policy advice.

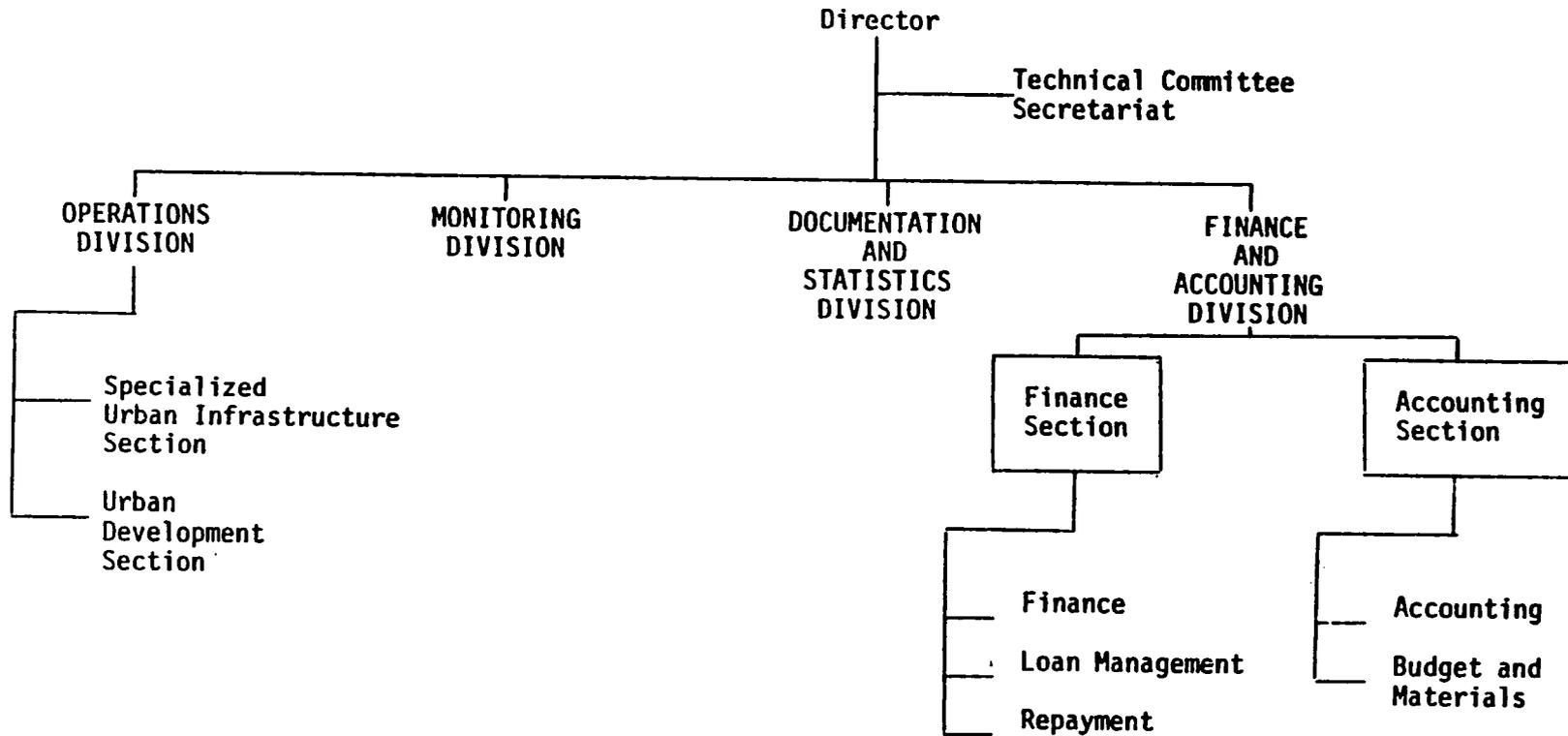
### 3.3.2 Staff and Organization

As indicated in Exhibit 3.3.3., FEC is organized into four functional divisions. The Operations Division is responsible for project appraisal; the Monitoring Division for follow-up after loan approval; the newly created Documentation Division prepares a data base of information regarding local governments, national economy, and other information pertinent to urban investments; and the Finance and Accounting Division is responsible for loan and budget management.

FEC staffing reflects the importance of the Operations and Finance divisions. Of the 38 staff in the organization, 28 are in those divisions. The Operations Division includes two engineers, five economist/analysts, and four specialized technicians. FEC management has generally been successful in recruiting professionals with the basic profiles which are required for its lending operations. Staff development policy has been to promote specialization in each of the principal areas of lending such as water systems, markets, or transportation. This specialization is largely provided by on-the-job training. Most of the FEC staff are recent graduates and 14 of the 36 staff have been recruited since 1984.

FEC recruitment plans for 1985 and 1986 call for the addition of four engineers, six economist/analysts, a statistician, and an accountant/computer scientist. These additions to the existing staff should provide FEC with a sufficient number of qualified staff to manage the current work load and the projected near-term increase as the HG 001 and World Bank projects come through the pipeline.

Exhibit 3.3.3  
ORGANIZATIONAL CHART  
FONDS D'EQUIPEMENT COMMUNALE



Currently, computer services for the processing of FEC accounts are provided by the mainframe computer of the CDG which services all of the CDG and associated institutions. Therefore, FEC staff do not have immediate and interactive access to computing facilities for the management of their budget, assets, or lending activities. Furthermore, there is no in-house data processing capability for data analysis required for loan appraisal.

### 3.3.3 Other Donor Activity

The World Bank has been FEC's primary source of international assistance through a project which began in 1984. The \$16 million has included a line of credit for municipal development project, technical assistance in the form of a resident advisor, and the purchase of office equipment. The advisor has assisted in improving appraisal methods and defining operating policy. The purchase of a microcomputer is expected in the first quarter of 1986.

### 3.3.4 Role in HG 001

The Ministry of Finance will negotiate the housing guaranty loan with the U.S. financial institutions and will therefore be the GOM institution responsible for reimbursement to the U.S. creditors. The FEC will receive dirham amounts of the dollar loans from the Bank of Morocco for on-lending to the municipality. According to normal operating procedures, FEC staff will conduct appraisal analyses of the loans requested by the municipality of Tetouan (and the RDE, should it be a borrower for portions of the off-site infrastructure or the sewage treatment plant) based on projects prepared by ANHI and RDE. Despite the magnitude and complexity of the project, appraisal by FEC staff will be facilitated by the amount of expert analysis by ANHI which will be part of project preparation, prior to loan request. However, negotiation of loan conditions will require specific attention to the efficiency of cost recovery mechanisms (particularly recovery in the Dersa neighborhood) and the phasing of project components. Although construction management will be the responsibility of ANHI as "maitre d'ouvrage délégué" (who will also provide assistance to the

municipality in cash-flow management), the municipality (and possibly RDE) will be the borrower and therefore officially responsible for reimbursement to FEC. The FEC is responsible for reimbursement of dirham amounts to the Bank of Morocco.

Lending for a major sites and services and upgrading program will represent something of a new area of endeavor for FEC. Most loans to date have been for communal infrastructure (water, road networks, or municipal buildings) rather than housing related. HG 001 will only be the second upgrading loan for FEC and the first of this magnitude and complexity.

Loan requests in HG 001, based on preliminary cash-flow estimates, will range from 35 to 45 million dirhams, or approximately 25% to 30% of 1985 FEC lending. These amounts are not expected to place an undue strain on FEC loan management capabilities in terms of staff capabilities. However, HG 001 and the additional World Bank projects will strain capabilities from a data processing point of view. Because of ANHI's role as maitre d'ouvrage délégué and the field presence of ANHI staff, FEC staff role in monitoring implementation progress will be minimal.

### 3.3.5 Recommended Training and Technical Assistance Activities

Because of the relative institutional strength of the FEC and its somewhat limited role in HG 001, a modest but targeted type of assistance is recommended. The objectives for assistance to the FEC are:

- 1) Strengthen management and analytic capabilities particularly through improved data processing capability;
- 2) Strengthen FEC staff understanding of sectoral issues related to urban development in general and to the implementation of HG 001, particularly those regarding low-income housing and service provision.
- 3) Reinforce the role of the FEC as the principal funding source for urban infrastructure. This objective will be valid whether FEC remains under the CDG or evolves into an autonomous development bank with independent resources.
- 4) Strengthen the coordinating mechanisms between FEC and other actors in urban development.

Specific activities recommended to achieve these objectives are the following.

- 1) Assess the data processing needs of the FEC and procure a micro-computer, basic software packages, and programming languages. Needs and potential hardware configurations should be assessed in light of acquisition under the World Bank project to assure compatibility of systems. Basic training in the use of software packages should also be provided.

Timing: First year of project implementation

TA/T Level of Effort: 2 person months

Equipment costs: \$20,000

- 2) Provide specialized training in topics related to the implementation of HG 001 to improve the FEC technical staff's understanding of those issues for project appraisal and to facilitate the negotiation of loan conditions. Topics should include low-cost housing (including characteristics of self-help housing programs), sewage treatment, upgrading programs, and municipal financial impact analysis. The objective of this type of training should be to strengthen FEC staff understanding of the technical and financial issues involved in these areas and to increase their sensitivity to problems of implementation, particularly in upgrading projects where the participation of the beneficiary population is key to cost recovery. This training should improve staff understanding of the impact of these issues on loan packaging while the field monitoring of these types of projects elsewhere in Morocco will continue to be the responsibility of ANHI. Training should be provided through: (1) visits of internationally recognized experts structured around workshops or seminars, or (2) participation in an international training programs or conferences (such as WHO workshops on water supply). Preference should be given to training in Morocco rather than overseas conferences thereby allowing access to training for more

staff members. Because all of the proposed topics could not be covered before the appraisal and negotiation stages of the project, it is recommended that this training continue throughout the life of the project.

Timing: Two visits per year and participation in three to five conferences for the life of the project.

TA/T Level of Effort: 5 person months over the life of the project and \$7,500 for conference participation.

## SECTION 3.4 AGENCE NATIONAL CONTRE L'HABITAT INSALUBRE (ANHI)

### 3.4.1 Purposes, Activities, and Background

The National Agency to Combat Substandard Housing (ANHI) was created in January 1984 and operates under an agreement signed between the Ministry of Finance and the Ministry of Housing.

According to the agreement, "the creation of ANHI responds to the need for a public instrument capable of undertaking all the operations necessary to improve housing and living conditions in substandard neighborhoods." To fulfill this mission, ANHI is permitted to take the following actions:

- 1) Acquire and develop land in substandard neighborhood areas;
- 2) Conduct studies related to substandard neighborhoods;
- 3) Build housing units to relocate low-income families and participate in the construction of community facilities;
- 4) Sell serviced plots, housing units and any other commercial or residential construction;
- 5) Collect beneficiaries' payments and operate overall cost recovery programs.

Funding for these activities, as provided by the agreement, is made available from central government budget allocations, sale of plots and housing units, collection of payments from beneficiaries, and domestic or international loans.

ANHI's current operations include thirteen projects (not including HG 001) in eight cities, or a total 15,000 plots and an estimated cost of 400 million Dirhams. The specific breakdown of projects is the following.

- 1) Sites and services projects for relocating bidonville households (6 projects, 8,150 plots): These are targeted on generally small- and medium-sized bidonvilles in which the provincial Ministry of Housing delegate (DPH) had initiated a project, provided the land, and prepared the list of beneficiaries.
- 2) Infrastructure projects for already plotted land (2 projects, 2800 plots): Implementation of bidonville relocation projects where the plots were attributed before the land was serviced.

3) Land development projects (4 projects, 4,550 plots): Serviced plots are sold to relocated bidonville households at subsidized prices, at cost to low-income households (HBM) and at market prices for villas, apartments, or commercial units.

4) Upgrading projects of clandestine settlements (1 project for 1,300 plots, and HG 001 for 7,500 plots): This is a new type of activity which will combine, in both projects, an upgrading component with a sites and services program.

The implementation of the thirteen projects is as follows:

1) Projects under construction: (4 projects for 5,500 plots) with 20 million Dirhams in which contracted commitments have been made for 50% of projected costs; cost recovery from beneficiaries in the form of downpayments has begun in three sites.

2) Projects in the Planning and Engineering Studies Phase: 6 projects for a total 5,150 plots with an estimated 168 million Dirhams. One project in Casablanca was recently stopped after preliminary planning due to a lack of approval for the proposed land uses.

3) New projects approved for 1986: 3 projects comprising 3,750 plots and with 74.5 million Dirhams (HG 001 excluded).

Exhibit 3.4.1.1 presents ANHI projects according to location and characteristics.

At the time of the agency's creation in 1984, financing of ANHI projects was expected to come from the General Budget allocations for the Ministry of Housing for the 70% of project costs and for 30% from beneficiaries' downpayments.

However, because of difficulties of obtaining budget disbursements in 1985, the budget contribution to projects was reduced to 30% of estimated costs, the remainder being financed by beneficiaries' downpayments and cross subsidies. Even so, at the end of 1985, only one-third of the allocated budgetary funds were effectively disbursed for ANHI projects (13,9 MDH out of 32 MDH). This situation has created difficulties in project implementation and made the consideration of alternative forms of financing necessary. As a result, new trends in project design include:

Exhibit 3.4.1.1

ANHI ACTIVITIES IN 1986

Project Name, Location	Type Agency	Number of Plots	Estimated Cost	Current Status
Taza, El Qods	S & S - DPH	1500	29,080 MDH	Constr. 70%
Khourigaa	S & S - DPH	1750	35,015	Constr. 50%
Gaza Bachkou	S & S - DPH	1500	22,665	Stopped
Fes Dar Khemis	L.Dev. - DPH	1500	7,241	Constr. 100%
Rabat Cheihan	S & S - DPH	750	8,540	Constr. 20%
Ben Slimane	Infr. - DPH	800	7,057	Constr. initiated
Taza Massira	L.Dev. - DPH	600	21,944	Constr. initiated.
Rabat El Kora	S & S - DPH	1500	28,700	Project approved
Fes Zouagha	S & S - MUN	1200	19,195	Studies
Fes Bab Siffer	Infr. - MUN	2218	26,595	Studies
Larache	Upgrad - MUN	1300	29,287	Project approved
Mechra ben Msiri	L.Dev. - ANHI	643	11,878	Studies
Fes Ferme Ex.	L.Dev. - ANHI	2000	98,250	Studies
TOTAL		17611	345,450 MDH	

- 1) focusing ANHI involvement on projects for which financing is available rather than dependence on central government budget allocations;
- 2) designing financially balanced projects by reserving in each project site a part of land for sale at market prices (apartments and units for commercial uses) creating an internal cross-subsidy;
- 3) implementing profit-making land development operations in order to raise money for low-income housing projects; and
- 4) obtaining domestic and external loans.

All of these four new design elements have been followed in programming 1986 activities and will be integrated into HG CC1.

ANHI's role in project implementation may take two different institutional forms. First, it can operate as "Maitre d'Ouvrage Délégué" or implementing agency for local institutions such as the Provincial Delegation of the Ministry for Housing (DPH) or municipalities. In this case, following an agreement signed between the two parties, ANHI is responsible for studies, construction supervision, and cost recovery from beneficiaries, while DPH or Municipality is concerned with land tenure considerations and identification of beneficiaries. In this type of project, ANHI receives transfers for construction management from the local institution to its treasury account. ANHI maintains a separate accounts receivable and accounts payable ledger for each project. The price of serviced plots for low-income households is generally fixed by DPH according to beneficiaries' ability to pay.

ANHI can also operate independently as a public developer. In this case, ANHI buys the land (generally government owned), develops it, and sells the plots according to a program targeted to types of households and according to a housing density and community facilities plan which was established in collaboration with the local Office of Urban Planning.

At its creation, ANHI operated exclusively in the first form, as the implementing agency of the local DPHs. However, as the financing of operations by budget allocations was delayed, ANHI was authorized to implement profit-oriented or financially-balanced projects on its own. A

more recent trend, including projects now in the pipeline, is for ANHI to operate as the implementing agency on behalf of municipalities. In light of the heightened responsibilities for urban development delegated to local governments, ANHI management expects this to be the primary institutional arrangement in the future. The HG 001 project is intended to be a test of this new institutional framework. The Agency is permitted to charge fees up to 6% on project costs to cover its overhead expenses.

### 3.4.2 Organization and Staff

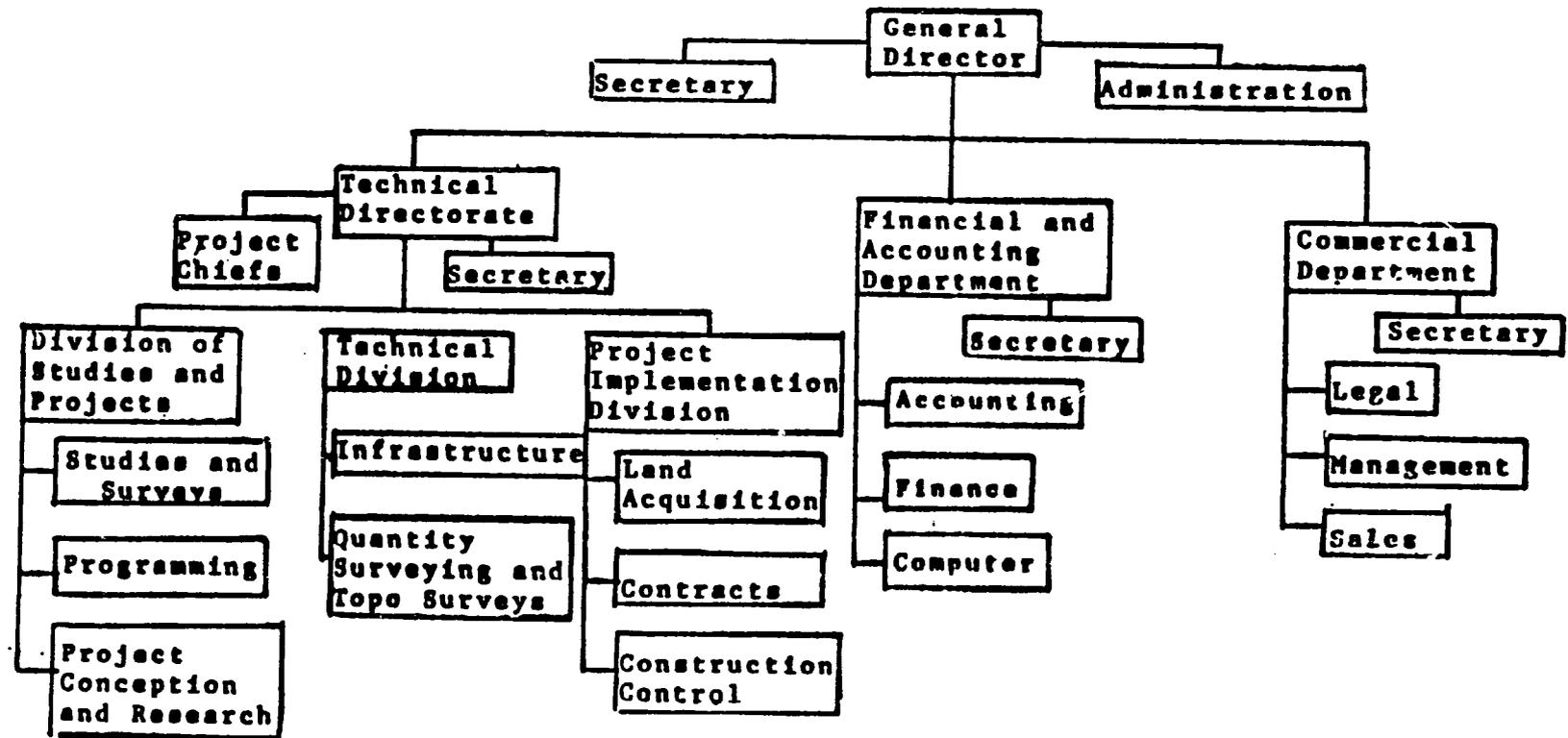
ANHI is governed by a Board of Directors chaired by the Minister of Housing and including representatives from the Ministry of Housing, the Ministry of Interior, the Ministry of Finance, the Ministry of Economy and Plan, the State Secretary for Economic Affairs Assigned to the Prime Minister, and the Fund for Community Infrastructure (FEC). The Board of Directors reviews ANHI activities and approves new projects. All contracts, sale prices for plots or housing units, and other arrangements for each project are reviewed by a joint commission from the Ministries of Finance and Housing and ANHI.

ANHI's internal organizational structure includes a General Director who oversees the three departments: the Technical Directorate, the Financial and Accounting Department, and the Commercial Department. The organizational chart presented in Exhibit 3.4.2.1, indicates further divisions which are in fact not yet operational. Given the Agency's small staff, the responsibilities in each department are as yet distributed in a rather informal way.

The Technical Directorate is responsible for three principal areas. First it identifies, evaluates, and programs new projects. Second, it conducts or contracts for studies. ANHI prepares terms of reference, reviews bids, and formulates conditions of contracts for all technical studies which are executed by external engineering companies. ANHI engineers supervise, monitor, and appraise the studies. The content of these studies includes topographical and cadastral surveys, urban planning studies (sometimes designed by the local DPHs), and engineering studies

Exhibit 3.4.2.1

ORGANIZATION CHART FOR THE NATIONAL AGENCY TO COMBAT  
SUB-STANDARD HOUSING



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from the preliminary design to the execution documents. Finally, the Technical Directorate is responsible for construction works including preparation of the bid documents and award of contracts. The monitoring of the construction work is generally assumed by contract to the engineering design company. ANHI technicians monitor general contract performance by twice-a-month visits to the site.

The constraints of staff recruitment do not, at the present, allow the Technical Directorate to undertake studies or to assure construction monitoring. On the other hand, with the increase of activities, senior technical staff are more involved in project identification and programming activities and, in general, in project design and management.

The Technical Directorate staff is composed of the Director (an architect), one chief of projects (an architect), one civil engineer, one mid-level technician, two draftsmen, and one secretary. The 1986 program proposes the recruitment of two senior engineers and three mid-level technician.

Responsibilities of the Financial and Accounting Department include new project financial feasibility evaluation, preparation of the annual budget for submission to the Ministry of Finance, and project financial management including contract and beneficiary payments accounting. Like all parastatal agencies in Morocco, ANHI is subject to government financial control and is required to give a full accounting of its expenses and revenues to the Ministry of Finance. As stated earlier, ANHI maintains separate internal accounting for each project. The accounting includes all transactions for construction activities and individual files for each beneficiary who is required to make payments directly to ANHI (for projects in which ANHI is the maître d'ouvrage).

The Financial and Accounting Department is presently managing some 60 different contracts and the files of 15,000 beneficiaries. These numbers are rapidly increasing as the rate of project implementation grows and will reach, in the medium term, an estimated 300 contracts and 100,000 beneficiary files (HG 001 included). The computerization of the ANHI accounting system is an obvious priority. The Department is also temporarily assuming the management of the Agency's personnel, awaiting the creation of a separate Administrative Department.

The Financial Department staff consists of the Head of Department (financial manager), one senior administrator, one accountant, and one secretary. Two mid-level accountants are to be recruited in 1986.

The Commercial Department is the most recently created division and is related to the role of ANHI as an independent land developer. It deals presently with the legal aspects of this activity (land acquisition procedures, contracts for the sale of plots, etc.) but will be involved in the future in marketing studies and sales management.

The Commercial Department's staff consists of a Senior Legal Advisor, one accountant and one secretary. A senior economist will be recruited in 1986.

The intent of ANHI's creation was to form a small team of dynamic professionals capable of dealing with complex operations and without bureaucratic constraints of the Administration. However, staff recruitment has proceeded slowly and ANHI's staff has only this year reached the number of personnel projected at its creation. Exhibit 3.4.2.2 presents ANHI recruitment. The pace of recruitment is due to the authorization of new positions and ANHI management's desire to expand as the work load required. There appear to be well-trained professionals available to ANHI as staff positions are created. Ten out of the total of twenty-four staff are senior professionals with high qualifications. Each has more than 5 years of professional experience. The General Director, the Technical Director and the Chief of Projects have extensive experience in upgrading programs and in the delivery of low-income housing. They are generally recognized as being the most qualified professionals in Morocco in this area. The Financial Director also has a higher degree in finance and management and has worked for 8 years with the ERAC in Agadir.

ANHI's personnel statute, approved by the Minister of Finance, authorizes payment of competitive salaries to its staff, who are recruited to meet high professional standards.

For the future, with the increasing number of major projects distributed throughout the country, ANHI foresees the need to establish a decentralized structure for operations and the coordination with local

Exhibit 3.4.2.2  
A.N.H.I. STAFF RECRUITMENT

	Year of Recruitment			Total		
	1984	1985	1986	Sen.	Mid.	Low
<b>GENERAL DIRECTORATE</b>						
Director	1			1		
Secretary	1					1
<b>TECHNICAL DIRECTORATE</b>						
Director	1		1	1		
Project Chief	1		1	1		
Civil Engineer		1	2	3		
Technician		1	2		3	
Draftsmen	2		1			3
Secretary		1				1
<b>FINANCIAL DEPARTMENT</b>						
Chief of Department	1			1		
Administratator			1	1		
Accountants	1	1	2		3	1
Secretary		1				1
<b>COMMERCIAL DEPARTMENT</b>						
Legal Adv.		1		1		
Financial Adv.			1	1		
Accountants		1			1	
Secretary		1				1
Driver	1					1
Total Senior Staff				10		
Total Technical Staff					7	
Total Support Staff						9

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authorities, while keeping the central core for the general project design and management. According to ANHI's founding legislation, field staff may be recruited for a specific project and paid out of that project's budget.

### 3.4.3 Role in HG 001 and Institutional Capability

ANHI's role in the Dersa-Samsa project is threefold:

- 1) As the implementing agency on behalf of the municipality, it will be responsible for the execution of all on-site (within the project area) components of the project;
- 2) Because of its experience, it will assist the municipality in cost recovery procedures and in the overall coordination of the financial aspects;
- 3) Through its national role as defined by statute, it will have to acquire the institutional and technical capability for project replication.

As the delegated representative of the municipality, ANHI will be responsible for the technical management of the HG 001 project, including planning and design, ordering and supervising engineering services, and management of construction services. Its principal tasks will include the following:

- 1) survey of existing clandestine housing units and of land tenure situation;
- 2) design of primary and secondary infrastructure in the upgrading area in order to minimize demolitions;
- 3) land-use planning of the ZAC and sites and services areas;
- 4) detailed engineering design of roads and water and sewer systems within the project area;
- 5) supervision and management of the above work;
- 6) construction of housing units to relocate displaced households;
- 7) assistance to beneficiaries in tertiary infrastructure utility hook-ups and dwelling upgrading;
- 8) assistance to ZAC land-owners for land development and plot design; and
- 9) financial management of project contracts and of beneficiary payments.

#### 3.4.4 Recommended Technical Assistance and Training Activities

Because it is one of the key agencies involved in the implementation of HG 001, yet inexperienced in a project of this size, a significant amount of assistance is recommended for ANHI. The objectives of the assistance are to:

- 1) Assist in defining the organizational structure which will allow ANHI to respond to requirements of substandard housing projects such as HG 001. The structure must take into account the need for a small core management staff in the central office and a flexible decentralized operating mode for diverse and dispersed field operations such as that in Tetouan.
- 2) Strengthen the existing general management and financial management procedures to make the organizational structure functional at central and field levels.
- 3) Provide technical training to ANHI staff involved in HG 001 implementation in Tetouan and in other ANHI field operations to strengthen the implementation of the Tetouan project, improve its chances of successfully meeting its goals, and facilitate its replicability.

Specific activities recommended to achieve these objectives are the following:

- 1) Assist ANHI management in conducting an assessment of organizational requirements regarding both structure and staff profiles and recruitment schedules for the next 5 years. Special attention should be paid to the linkage between the Rabat office and the Tetouan field office as the first model of the decentralized structure.

Timing: First year of project

Level of Effort: 1.5 person months

- 2a) Assess the information needs for general and financial management and design a microcomputer-based information system. Purchase and install equipment and provide staff with basic training in

micro-computer operations and commercial software packages. Provide an overview of cost accounting systems for project and general expenses. This assistance is intended to provide a general basis for ANHI management design. We recommend that funds also be made available for a contract with a local management consulting firm to develop detailed procedures, customized software and provide training.

- b) Assess the data processing needs of the Tetouan project field office, including project accounting, beneficiary files and project management. Design, procure, and install a micro-computer which is compatible with the Rabat office.

Timing: Begin after Activity 1, late first year, with continual support, particularly through monitoring, through the first 3 years of the project. Support for computerization should be provided at a low level (1 month per year) through the first three years of the project.

Level of Effort: 5 person-months and \$30,000 for local management consulting contract.

Equipment (including software): \$30,000.

- 3) Provide specialized training for ANHI staff in areas which are critical for the success of the Tetouan project and its replication in other settings. TA/T should be provided according to a schedule which adapts the training element to the relating project phase. A model for this type of training could be a two-phased approach presenting material in a structured setting in Rabat for Rabat and Tetouan staff followed by practical application of the concepts in Tetouan. The principal elements and the timing for their initiation are the following. Follow-up visits in subsequent years should also be scheduled.

### Year 1

Project Design: Institutional relationships, management structures for effective decisionmaking and implementation, analysis of technical alternatives related to effectiveness, cost, and consistency with policy.

Financial Analysis: Economic and financial analysis of projects, financial impact analysis of projects on local governments and utilities.

### Year 2

Community Organization: Conducting beneficiary surveys, public education/relations, organizing community groups for participation in projects, for cooperative building ventures or self-help housing.

Project Monitoring: Evaluation methodologies, periodic monitoring techniques, design of monitoring system.

(Note: This assistance should be supplied with the initiation of each principal component of the project and followed up by periodic visits.)

### Year 4

Project Impact Analysis: Based on data from monitoring, how to evaluate the success of the project.

Timing: Life of project.

Level of Effort: 10 person months.

## SECTION 3.5 MUNICIPALITY OF TETOUAN

### 3.5.1 Description of the City

Tetouan is the second largest city in northern Morocco and has traditionally enjoyed prominence as an administrative and commercial center. It served as the capital of the Spanish Protectorate and has been a focal point for tourism in the region. Its attractiveness as an economic and tourist center are evidenced by the significant in-migration from the surrounding areas and the considerable investment in tourism which has recently been announced. These characteristics have, to a large extent, been at the base of the interest and need for the Dersa-Sarsa project. Officials have openly commented that the economic investments designed to attract tourists need to be balanced with social investments to improve the quality of life of the generally poorer population of the Dersa neighborhood and to provide outlets for growth which will prevent the spread of future Dersas.

Tetouan's current population of over 200,000 has resulted from high growth rates in recent years. The population has doubled since independence in 1956, with an annual growth rate of 3.29% from 1971 to 1982. The provision of city services and titled land plots for development have not kept pace with this growth. The result has been a densification of the medina area, thereby straining its already marginally adequate infrastructure, and the creation of numerous clandestine neighborhoods in which residential construction precedes the provision of infrastructure in a planned fashion. These neighborhoods lack uniform services such as water, sewer, and electricity, and have a spatial pattern which makes difficult the provision of other services such as solid waste collection and road maintenance.

As noted in the introduction, one of the root causes of clandestine neighborhoods is the slow and unresponsive land planning and development authorization system. The process includes several steps of successively more detailed development plans which provide the legal basis for approval of subdivision plans or individual lot development. The first step is the

preparation of a "Schema Directeur" prepared by the Direction de l'Urbanisme, which provides a general plan or sketch of future development patterns. The second and principal element of the process is the Plan d'Amenagement. These plans are also prepared by the Direction de l'Urbanisme for sectors of a city and define detailed land uses and infrastructure requirements over a 20-year horizon. Their particular focus is the physical development of the city and insufficient attention is in some cases paid to the resources available for plan implementation. After review and approval by the municipality, the Plan must be approved by the central government (Prime Minister's Office and Ministry of Interior) and made available for public comment. The process necessarily requires considerable time, and once approved, the Plan d'Amenagement cannot be modified. Land development requests (Plan de Lottissement) and building permits may be approved only for land for which a Plan d'Amenagement exists. As in the case of Dersa, significant amounts of development take place outside of this official process.

Related to land development problems is the land titling system. Aspects of this problem are related to Tetouan's specific history and other aspects are related to more general problems of land development in Morocco. In 1913, the French administration introduced a land titles system based on the Torrens system (that used in most European countries and the United States). However, as Tetouan remained under Spanish administration, the traditional Khalifian system was applied. In this system, the Khalifa authorized land titles and maintained centralized records. The Khalifian system was abolished by decree in 1977, but the transformation of those titles to the Torrens system has been slow: approximately 45% of traditional titles are in the process of transformation, which, because of legal procedures, takes nearly one-and-a-half years.

The Direction du Cadastre of the Ministry of Agriculture and Agrarian Reform maintains the cadastral system. Land titles for individual plots are processed following the approval and development of subdivisions. This requires, of course, that the original land parcel have an approved land title. Because of the pace of approval of subdivisions and the lack of coverage of the official cadastre, few titled plots are available. Many

Tetouan residents circumvent this difficulty by using the Adoul System (notary) to formalize land transfers between individuals.

A further cause for the creation of clandestine neighborhoods has been the difficulty on the city's part in providing adequate infrastructure in anticipation of development. As land development (in the sense of titled plot creation) is more typically a private or Ministry of Housing function rather than a municipal function, this problem is linked to the land development process as well as the ability of the city to raise funding for capital investments. This is to say that it has been manifestly difficult to plan and install infrastructure, whether municipally operated or operated by other agencies such as the Régie, in new areas in an effort to guide growth.

Related to the problem of urban service delivery in clandestine and bidonville areas is the difficulty in resource mobilization. Beyond the political aspect of demanding taxes and fees from neighborhoods which receive few services, the lack of a documented spatial design and ownership records make revenue generation a difficult task. For example, providing property ownership descriptions for lots as the basis for the property-based taxes (taxe urbaine and taxe d'édilité) or preparing roles for a betterment tax for cost recovery of road and sidewalk projects is extremely difficult in clandestine neighborhoods. The resulting loss of fiscal resources in turn impacts the city's ability to provide for its normal operating and capital budgets.

### 3.5.2 Services Provided by the Municipality

As provided by statute, the municipality provides a number of public services which are administrative and technical in nature. The administrative services primarily relate to support for the city council, financial management (particularly accounting and revenue collection), personnel, civil records, and social and economic services. It should be noted that many of the financial management responsibilities are shared with central government officials. Specifically, the "percepteur" who oversees revenue collection activities and financial commitments vis a vis the Treasury is a Ministry of Finance appointed official. Similarly, the

property-based local taxes, the Taxe urbaine (portions of which go to the central government) and the Taxe d'édilitéé (all of which goes to the municipality) are managed by MOF agencies.

On the technical side, the municipality is responsible for almost all urban services affecting the municipal physical plant. These include management of municipal buildings, road maintenance, public lighting, solid waste collection, storm and sanitary sewage system, cemeteries, public gardens, subdivision review, and building inspection and permit issuance. Comments on the provision of some of the more important services are worthwhile in their relationship to the HG 001 project components.

Solid waste collection is accomplished by teams of municipal workers and a fleet of collection trucks. As noted before, the spatial pattern in the Gensa neighborhood has made collection by existing equipment extremely difficult. To improve collection capabilities in the area, the municipal engineer has recently begun to prepare a request for funding by the FEC for additional smaller equipment (such as motorized dump carts) which is suited to maneuvering in narrow streets. Solid waste is disposed of in several controlled and uncontrolled sites, generally ravines. The city has begun negotiations with brick factories to use clay pits for land fills.

The sewage collection system dates from the Spanish Protectorate and operates as a combined storm and sanitary system outletting into the Oued Martil. While the inadequacy of the system in terms of capacity and treatment is acknowledged and its upgrading constitutes one of the HG 001 components, municipal staff currently do little more than attempt to keep the existing lines open.

Little privatization of public services has occurred in Tetouan. A private public transportation system is currently operating under concession from the municipality. A grace period has been granted to the operator for the payment of concession fees to the municipality. Other than the grace period, it was not determined to what extent the C.90h fare is subsidized. The municipal Public Works director also indicated that the city is considering privatizing the slaughterhouse operation, apparently following the example of cities in Spain.

### 3.5.3 Financial Management Analysis

The purpose of the financial management analysis is to assess the financial health of the city in terms of the strength of local resources reflecting both a management capability and resource availability to provide services. The clear implication for the implementation of HG 001 is that the better the management capability, the better the potential for successful implementation. The analysis presented in this section studies the characteristics of the municipality's fiscal performance and the principal techniques which are currently used in financial management operations.

Municipal budgets in Morocco are divided into two parts: the operating budget and the capital budget. The operating budget is typically considerably larger than the capital budget. Operating budget revenues are derived from a variety of sources, local and central. Principal local revenues include taxes (of which property-based taxes are the most important), service fees, revenue from municipal property, and the central government balancing grant. The grant is based on need generally defined as the amount of budget deficit. Therefore, cities which are not in a deficit situation do not receive a grant, regardless of other indicators of need such as sub-average per capita revenues.

The capital budget is derived from transfers from the operating budget (in the form of budgeted transfers or unspent operating budget balances which are automatically inscribed in the capital portion), central grants, and loans. Budget transfers are the predominant source for capital expenditures. Loan reimbursements (principal and interest) are paid from the operating budget. Because the FEC, the primary lending source, must receive reimbursements, subsidies to the operating budget from the central government in the form of the "Subvention d'équilibre" are frequently used to cover deficits created by capital investment loans.

Tetouan's operating budget revenues for the period 1982 to 1984 show strength, particularly in local resources. As indicated in Exhibit 3.5.3.1, most local revenue sources exhibited stability if not growth in per capita terms during the period. The fact that total revenues per

Exhibit 3.5.3.1

PRINCIPAL REVENUE SOURCES  
TETOUAN 1982-84  
EXPRESSED AS PERCENTAGE OF TOTAL AND AS REVENUE PER CAPITA  
OPERATING BUDGET

	1982	1983	1984
Taxe Urbaine (Property Tax)	19%/ 15DH	21%/ 16DH	20%/ 16DH
Taxe d'Équilibre (Property-Based Service Tax)	21%/ 17DH	23%/ 17DH	25% 20DH
Droits de Caisse (Wholesale Market Fees)	14%/ 11DH	22%/ 17DH	25%/ 20DH
Location des Immeubles (Building Rental)	6%/ 5DH	6%/ 5DH	6%/ 5DH
Subvention d'Equilibre (Central Grant)	14%/ 11DH	3%/ 2DH	1%/ 1DH
Total Revenues	100%/ 78DH	100%/ 77DH	100%/ 80DH
Total Expressed in 1982 DH	78DH	71DH	67DH

capita actually increased (unadjusted for inflation) from 78 to 80DH in view of the virtual disappearance of the central government grant indicates considerable effort to mobilize local revenues. The greatest expansion was seen in the revenues from the municipally operated wholesale market, particularly noteworthy during a period of general economic downturn. In comparison to other cities of similar size, the Ministry of Interior indicates that Tetouan's performance of 88DH per capita in 1985 was below the average of 117DH. It should be noted, however, that the average is skewed by Rabat's performance (which includes special subsidies) of 2150r per capita.

Tetouan's operating expenses show the preponderance of personnel costs, 62% to 64% of the total as presented in Exhibit 3.5.3.2. This would not appear out of line with similar cities in Morocco. In 1985, Tetouan has 812 municipal employees versus 850 as the average of cities of the same population. The exhibit also indicates that other expenses, usually representing expenditures for materials and supplies increased as a proportion of total expenditures. This would appear to indicate a determination to not let non-personnel operating and maintenance costs decline to the profit of increased personnel costs in the form of higher salaries or increases in the numbers of employees. A typical problem in many cities, but apparently not in Tetouan, is that personnel costs increase at the expense of materials as the city emphasizes employment over productivity.

The debt service portion of the expenditures also appears to be reasonable, never greater than 10%. Annual loan reimbursements of approximately 1.3MDH per year during this period covered three FEC loans for a slaughterhouse, land purchase for an industrial zone, and a road project.

Exhibit 3.5.3.3 indicates the importance of operating budget transfers in financing capital investments. Given the relatively minor portion of operating budgets used for debt service, financing capital investments by borrowing rather than cash reserve should be given greater thought.

Municipal budget formulation begins in October when a first draft is prepared. Revenue projections are based on average performance of the three previous years. This would appear to be a conservative approach to forecasting rather than using methods which incorporate notions of

Exhibit 3.5.3.2

PRINCIPAL EXPENDITURES  
TETOUAN 1982-84  
OPERATING BUDGET

Expressed as percentage of total and as expenditure per capita

	1982	1983	1984
Municipal Council	1% 0.40DH	1% 0.40DH	1% 0.5DH
Personnel	64% 42DH	63% 45DH	62% 47DH
Debt Service	10% 7DH	9% 7DH	8% 6DH
Other Expenses	25% 16DH	26% 18DH	29% 22DH
Total	100% 66DH	100% 72DH	100% 76DH
Total Expressed in 1982 DH	66DH	66DH	64DH

Exhibit 3.5.3.3

CAPITAL BUDGET REVENUE SOURCES  
TETOUAN 1982-84

Expressed as Percentage of total and/or revenue per capita

	1982	1983	1984
Cash Reserve (Transfer or Excess From Previous Operating Budgets)	73%/ 420-	99% 34DH	87%/ 410-
Sale of Property	-0-	-0-	13%/ 60-
Central Revenue Sharing	>1%/ >0.10-	1%/ 0.20-	>1%/ 0.30-
Borrowing	-0-	-0-	-0-
Central Grant	27%/ 15DH	-0-	-0-
Total	100%/ 57DH	100%/ 34DH	100%/ 47DH
Total Expressed in 1982 DH	57DH	31DH	40DH

potential and collection efficiency. For expenditures, each municipal service prepares a service budget, the ensemble of which are reviewed by the municipal budget commission in order to prepare the complete municipal budget. The Public Works Division (see the following section) prepares a program of activities in collaboration with an advisory board as the basis for its budget. The program is apparently based on a qualitative assessment of needs and priorities but does not incorporate quantitative assessments of service needs or costs. In order to clearly estimate the costs of expanding services to new neighborhoods or improving service delivery, a more quantitative approach would be useful, as in the case of service delivery to Dersa and Sarsa neighborhoods.

The basic financial management services are carried out by municipal staff. This includes accounting, payroll, and municipal revenue collection. Financial management, as currently practiced in Tetouan, is for the purpose of financial control (observing proper accounting procedures). Little is done in terms of financial analysis which would give the municipality a more useful picture of its performance. While the organization of municipal administrative and financial services is discussed in the following section, it is worth noting that all operations are conducted manually. This is clearly a time consuming task which fully occupies the current staff.

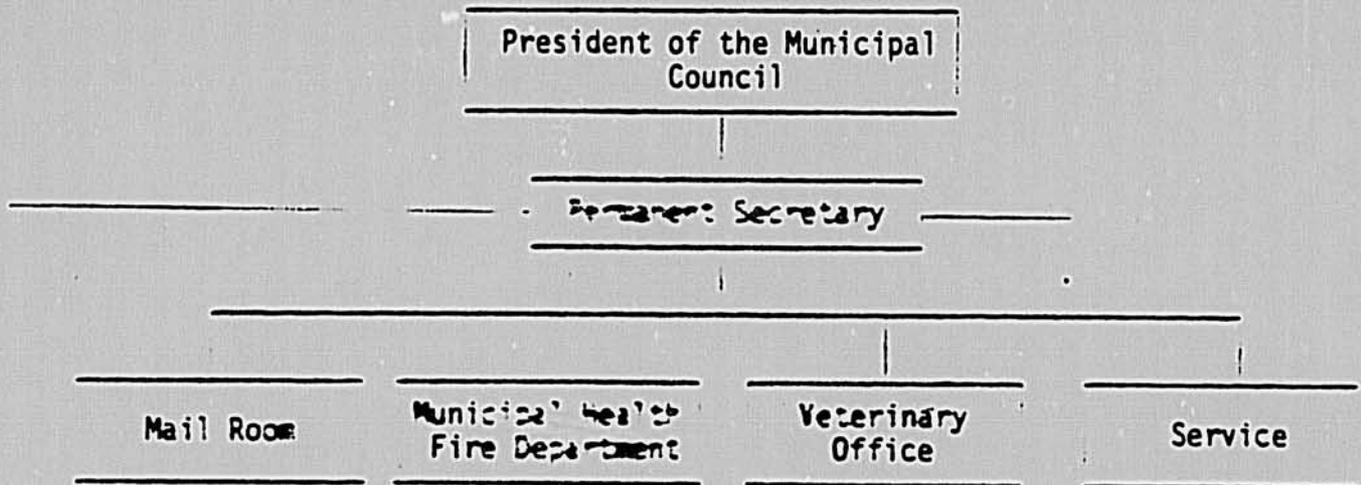
#### 3.5.4 Municipal Organization and Staff

Tetouan's organizational structure reflects its administrative and public works responsibilities. Exhibit 3.5.4.1 presents the municipal organizational chart. In 1986, municipal staff numbered approximately 850.

The Administrative Services are comprised primarily of financial management related staff. Within the service, the Accounting section is responsible for the formulation of the budget, payments, purchasing, administrative taxes and fees, and accounting matters related to municipal property. The office has seven professional and technical employees.

Exhibit 3.5.4.1

ORGANIZATION CHART OF THE MUNICIPALITY OF TETOUAN



ADMINISTRATIVE SERVICES

TECHNICAL SERVICES

- Civil Records
- Municipal Receipts
- Economic Services
- Social Services
- Administration
- Legalization of Signatures
- Personnel
- Accounting
- Tax Registration
- Contracts

- Municipal Engineer
- Administration and Accounting
- Studies - Drafting, Surveying
- Networks - Roads, Public Lighting
- Environment - Solid Waste, Sewerage System
- Machinery Shops
- Buildings and Urban Planning

The Municipal Receipts Section is responsible for monitoring all municipal expenses and all payments made to the Municipality. The service also provides verification of tax payments to other municipal services prior to the issuance of building permits, licenses or official individual documents. The list of persons required to pay various taxes and the amounts to be paid is determined by the Tax Registration Service. The Service of Municipality Receipts has five administrators including the Receveur, a Ministry of Finance employee, and a secretary.

The Tax Registration Service is responsible for the determination and application of various municipal taxes and the establishment of the corresponding tax roles. It is responsible, for example, for determining the amount of road taxes and betterment taxes to be paid. It also controls municipal fees and charges coming from the municipal slaughterhouse, bus stations and markets. The service has a central staff of three to four people and several employees working full time in the field. The operation of this service will be directly involved with the project and is very important for cost recovery. The service can recover taxes itself or send the lists to Municipal Receipts.

The Technical Services (Public Works) is responsible for the physical development of the city. Its 470 employees constitute nearly 60% of municipal personnel. The municipal administration has recently moved to improve the effectiveness of the Technical Services by recruiting a young and motivated division director who is attempting to recruit qualified section heads and to introduce modern management practices. Recently trained engineers have been recruited as heads of the studies, networks, and environment sections.

The environment section is responsible for solid waste collection, sewerage system management, and parks and gardens. The section is comprised of 294 staff members or nearly 60% of the personnel of the Technical Services. Of the total section staff, 285 are laborers. None of the staff have real technical training in solid waste collection and disposal or sewage treatment.

In response to the obvious need to improve solid waste collection service, particularly in the Dersa area, the section head began an analysis of collection needs and efficiency in the principal zones of the city. The analysis will support a request to the FEC for funding of collection equipment appropriate for neighborhoods such as Dersa. While this action is indicative of the motivation in the Service, it is also clear that to effectively organize the department, the young staff will require assistance.

The Building and Urban Planning section of Technical Services reviews land development proposals (plan de lotissement), issues building permits and inspects construction as to conformity to building plans. The development review is one step in a larger process which involves the Urban Planning delegation and the municipality as discussed earlier. As the amount of time required to get lots approved and on the market (requiring capital to be immobilized for an unacceptably long time) is a key constraint in the provision of lots through the private sector, the extent to which this process can be made efficient and shorter will help improve the housing shortage in Tetouan.

### 3.5.5 Role in HG 001 and Institutional Capability

The municipality of Tetouan will be a key institution in HG 001. While the precise responsibilities for borrowing, cost recovery, and infrastructure operation are not fully defined, it is clear that the municipality will be the borrower of the major share of the loan funds, responsible for most of the cost recovery, and responsible for the long-term provision of services to the target neighborhoods. As such, its role and capacity can be discussed in terms of the financial circuits in the project, the municipal debt carrying capacity, and the provision of public services.

#### 3.5.5.1 Financial circuits

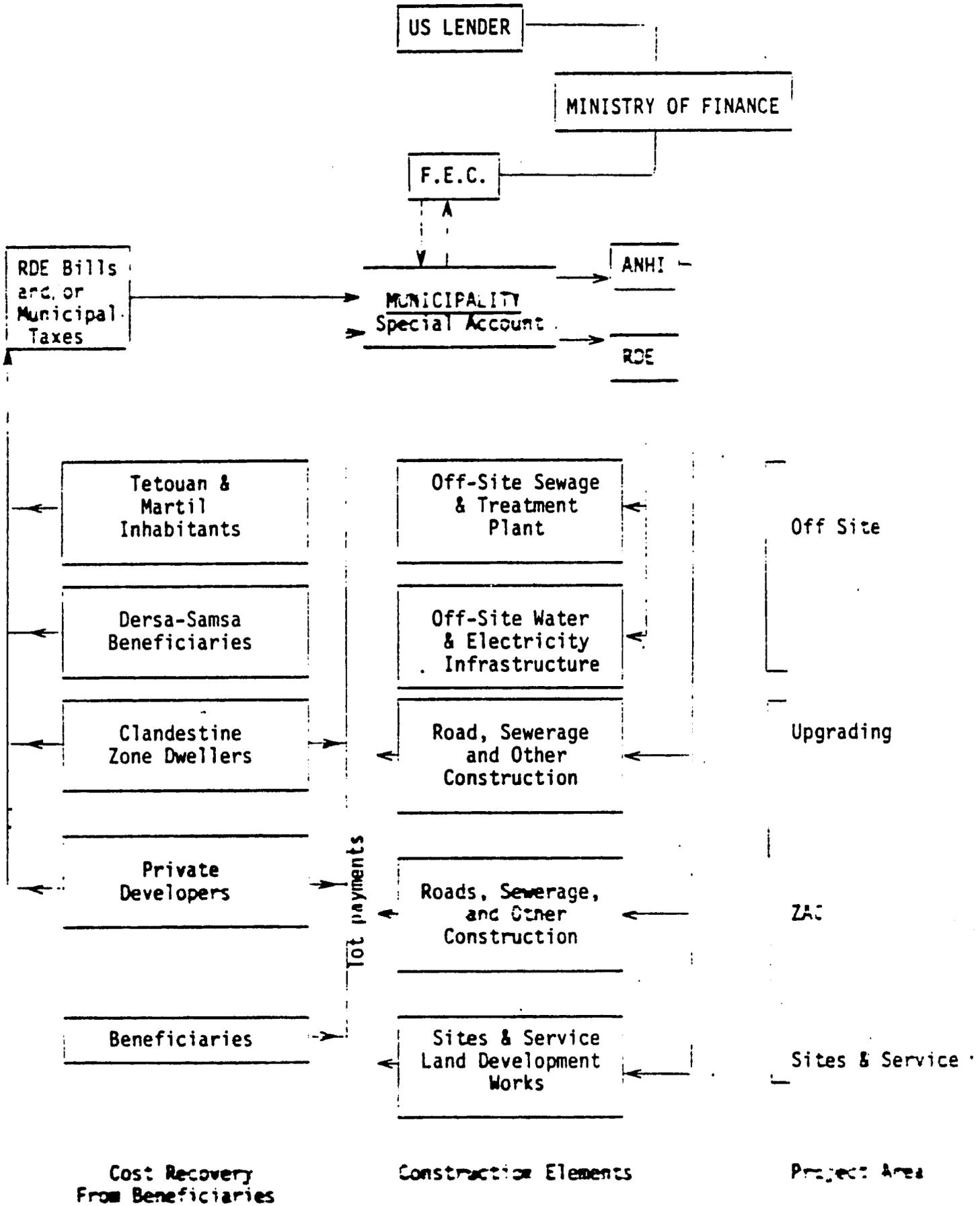
In section 3.3, the overall lending circuits are discussed in terms of the respective roles of the Ministry of Finance, FEC, and the municipality. The financial circuits discussed in this section refer to

the activities internal to the field of responsibility of the municipality as borrower from FEC.

Several possible variations of the financial circuitry of the project have been proposed. In one scenario, the predominant one at this point, the municipality will borrow all of the required funding from the FEC. This scenario is presented in Exhibit 3.5.5.1. The specific timing and amount of the loans will be determined after further design studies and cash-flow analyses are prepared by ANHI and the Regie as "maitres d'ouvrage délégués." Loan funds will be deposited in a special municipal account. Loan funds will be disbursed to ANHI for payment to construction contractors based either on quarterly projections of expenditures or on the submission of contractors' invoices. The former method will allow ANHI more flexibility and responsiveness. The municipality will recover costs through a variety of existing mechanisms including the betterment tax (tax d'édilitéé), lot payments, and charges on utility bills collected by the RDE which will be transferred to the municipality. The recovery mechanisms described by project element are shown in Exhibit 3.5.5.2. The municipality will be responsible for reimbursement of the FEC loan.

While the municipality will recover much of the cost through existing mechanisms, ANHI will assist in the preparation of beneficiary files and collections during the life of the project. After ANHI's presence in the field is completed, the municipality itself will manage the beneficiary files for the recovery from the betterment tax, the tax d'édilitéé, and monthly payments from the upgrading area residents. It should be noted that the tax d'édilitéé is a standard tax levied on all construction as a percentage of the property rental value. The rate is currently 7% but will be increased to 10% according to the national fiscal reform. The rate is not based on the costs of specific infrastructure, nor can the product of the tax be earmarked for a specific expense. The link between Infrastructure costs and cost recovery through this tax is difficult to assess. Revenues from this resource should therefore increase due to the increased rate, improved land tenure and evaluation roles in the project area, and theoretically at least, increased property values due to the improved

Exhibit 3.5.5.1  
FINANCIAL CIRCUITS



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Exhibit 3.5.5.2  
COST RECOVERY MECHANISMS

Project Elements	Beneficiaries	Cost Recovery Mechanism	Primary Recovery Agency	Secondary Recovery Agency
1. Regional Sewage Treatment Plant	Tetouan, Martil Residents	-Surcharge on Annual Maintenance Tax (taxe d'edilite) and/or	MUN	
	Dersa Samsa Beneficiaries	-Betterment Tax -Betterment Tax (taxe l'etablissement)	MUN	
2 Off-Site Water Electricity	Dersa Samsa Beneficiaries } Dersa Residents }	{ Surcharge on utility bills or Betterment tax	RDE (MUN)	MUN
3 Upgrading - land - Infrastructure - housing units for relocation	Residents on Municipal Land	Lot Payments	MUN (ANHI)	
	All Residents	Advance Payments and Monthly Payments (with cross subsidy)	MUN RDE ANHI	MUN MUN
	Relocated Dersa Residents	Monthly Payments (with cross subsidy)	ANHI	MUN
4. Z.A.C. Infrastructure Works	Private Land Developers	Betterment Tax or Lump Sum Payment	MUN	
5. Sites & Services land infrastructure utilities	Low Income Beneficiaries	3 Annual Payments	MUN (ANHI)	
	Buyers of Commercial Plots	Lump Sum Payments	MUN (ANHI)	

quality of the target neighborhoods. The betterment tax is based on a prorated share of total project expenses attributed to each property, thereby allowing 100% recovery of the calculated costs. Lot downpayments or monthly payments are also straightforward as long as they are affordable to beneficiaries.

From a procedural standpoint, recovery through these channels should not pose a problem. However, from an administrative standpoint, the volume of records will most certainly strain the capabilities of the municipal staff who currently manage their records manually. Computerization is a necessity if the records are to be processed in an efficient manner.

One project element for which cost recovery is likely to be problematic is the sewage treatment plant. Because it serves as a regional plant for Tetouan and Martil, the municipality of Tetouan will not have collection authority over all beneficiaries and will have to depend on the revenue collection capabilities of Martil for a portion of the cost recovery for the plant. The administrative and procedural questions involved in this matter deserve further thought before a final project design is accepted. (Technical responsibility for plant operation is also a question and is discussed in the following section.)

One variation on the above described financial circuit would have the Regie as the borrower for the off-site infrastructure (water and electricity and the Dersa water tower) and therefore responsible for the repayment directly to the FEC. This alternative would have the advantage of eliminating one administrative step in the process, namely the municipality recovering from the Regie and subsequently reimbursing the FEC. It would also reduce what will, in any case, be a large loan to the city.

A further variation on the financial circuit involves the reinvestment of project revenues by the municipality to earn additional income pending reimbursement to the FEC. As cost recovery will be occurring on a monthly or quarterly basis, but payments to the FEC are only made once a year, the municipality could establish a special bank account for reinvestment in short-term bonds or other assets until payment had to be made to the FEC. These additional revenues could be reinvested in the project to reduce the

required borrowing or used to reimburse the debt. Apparently one example of a similar operation exists. However, it is not clear that the Treasury will accept this use of funds and it does impose a more complex level of management on the municipality.

#### 3.5.5.2 Debt Carrying Capacity

Debt carrying capacity can be analyzed according to three different criteria: the performance of proposed cost recovery mechanisms, the size of the loan and annual payments in comparison to other budget expenses, and legal limits to borrowing. While the analysis below is not a detailed quantitative analysis of capacity, the presentation of trends and experience provides an adequate "first cut" assessment of capacity. A more in-depth analysis might be useful at a later stage when more of the project parameters are defined.

A recent estimate of project costs indicated that the municipality would have to borrow approximately 100 MDH (not including the sewage treatment plant). Assuming standard loan terms and phasing of construction over five years, the maximum annual payment to FEC would be approximately 16.6 MDH. This estimate also includes reinvestment of reflows to reduce borrowing needs.

Current records allow us to make a reasonable assessment of two of the municipal mechanisms for cost recovery: the tax d'édilité and the betterment tax (taxe de première établissement). As indicated in the financial management analysis (Section 3.5.3), the tax d'édilité has been performing well in relation to other revenue sources. Further improvement is expected next year when the rate of taxation is increased to 10% of net rental value. However, the collection efficiency appears low, about 35%, and the arrears have increased each year recently. Therefore, even with an increase in the rate and improvements in collection efficiency, increases to the current annual collections of slightly over 4 MDH, will not allow the tax to make a significant contribution to cost recovery at projected borrowing rates.

The *taxe de première établissement* is commonly used for road and sidewalk projects or infrastructure whose costs can be prorated according to lot size. The city recently used this tax as the mechanism to recover costs for a road improvement project for which a loan was provided by the FEC. Although the loan was arranged for eight years, the city recovered 95% of the costs after five years. The beneficiaries who had yet to pay were generally public agencies. This would indicate that the municipality has used the tax successfully and there should be a reasonable expectation that it could be used successfully in HG 001. It should be noted, however, that past recovery efforts through the *taxe de première établissement* have entailed significantly fewer numbers of records than will be required for the *Service des Travaux* project.

Until recently, the Ministry of Interior limited borrowing so that annual loan reimbursements would not exceed 10% of annual operating budgets. Recognizing that this was perhaps too stringent and would not allow sufficient borrowing to pay for needed infrastructure, that limit is no longer enforced. From Exhibit 3.5.3.2 in the financial management section, it appears that Tetouan has managed to keep current reimbursements to less than 10% of operating expenditures. Viewed from the standpoint of limiting borrowing to even 20% to 30% of Tetouan's current 17 to 18 MDH annual operating budget, the projected HG 001 borrowing appears excessive and beyond the municipality's capability. The currently projected annual repayments are almost equal to the entire operating budget. Furthermore, a debt this large would prevent the city from borrowing for capital needs for several years.

From a debt carrying capacity standpoint, the project, as currently designed, will impose a strain on local finances. While it would be unreasonable to expect that loan conditions would be made less rigorous for this project, it might be useful to think of either phasing the project over a longer period, thereby reducing annual repayments, spreading the borrowing out among more institutions such as having the Régie borrow for the off-site infrastructure, or scaling down the project activities.

### 3.5.5.3 Public Service Provision

Because ANHI and the Regie, acting as maitre d'ouvrage delegue, will oversee the construction activities, the municipality's principal role will be the maintenance of most of the infrastructure (presumably the Regie will be responsible for the water and electricity) and provision of services to the neighborhoods. Although most of these services are currently provided to other parts of the city, discussion in earlier sections indicated that the young staff of the Technical Services lacks significant training in the design and delivery of these services. The question, therefore, is not whether or not the services are provided but are they provided adequately and efficiently? As stated earlier, two major problems have been identified regarding solid waste collection; that of collection in spatially complex neighborhoods such as Dersa and that of disposal in suitable areas.

The municipality, through the Buildings and Urban Planning section, will also be responsible for approving land development plans. Because the plans will have been prepared by ANHI's field team working in collaboration with the municipality, there should be little technical difficulty in approving them. The important issue will be to conduct the approval process as rapidly as possible, not only to advance the project but also to assure that the regulatory process does not impose costly delays on developers in general.

Wastewater treatment, if the city is to manage the plant, will represent a new service for the municipal government. Currently the combined storm and sanitary sewers run directly into the Oued Martil with no treatment, creating major environmental problems. Therefore, participating in decisions about the construction of the plant and assuming responsibility for its operation will require significant training and recruitment by the municipality. It will also require special arrangements with Martil who will benefit from the service but currently has no defined role in operations. Because of the institutional arrangements and the technical expertise required to operate the plant, it may be more appropriate for both municipalities to contract with the R.D.E. who is already providing water service to the same area.

As sewage treatment becomes more of an issue at the national level, new institutional approaches to system operations are examined by the Ministry of the Interior. The project in Casablanca is the first attempt to address the problem comprehensively. Institutionally, the water and electricity utility has been given operations responsibility and special legislation allows the collection of a fee specifically for sewage treatment. The Ministry indicates that current policy direction favors utility companies rather than municipal management. This is logical in that the utilities are already providing drinking water, and providing sewage treatment is a natural step from a technical capacity and cost recovery point of view. A treatment surcharge could easily be put on water bills. In light of this policy, it would be reasonable to involve the Regie as much as possible and seek to have it assume responsibility for the system and plant. While this could be done under contract to the municipalities, cost recovery through water bills would require special legislation.

### 3.5.6 Recommended Technical Assistance and Training Activities

The basic framework for assistance asserts that the Dersa community must be integrated into the fiber of municipal services. Therefore, efforts to provide services efficiently to Dersa should be considered in light of the municipality's ability to provide services city-wide. Efforts to improve service efficiency and the ability to provide services as they are needed by a growing population will help avoid the creation of future neighborhoods such as Dersa. Similarly, HG 001 will impose special financial management responsibilities on the municipality. To effectively carry out these responsibilities, special assistance will be required. It is hoped that the targeted assistance for HG 001 will, in the long term, improve the municipality's overall financial management capability. Given this framework, the following objectives are proposed for TA/T activities with the municipality.

- 1) Strengthen the municipality's ability to manage its portion of the Dersa-Samsa project, including cost recovery, loan repayment, maintenance of investments, approval of land development plans, and permit letting for drillings.

- 2) Reinforce the management capacity of the municipal administration in order to maximize financial resources, provide services efficiently, and make strategic choices regarding capital investments.

Specific activities recommended to achieve these objectives are the following:

- 1) Financial management: Because much of the assistance in this area will focus on introducing either refinements to the current system or new approaches to financial management, the model for assistance delivery should include the presentation of material (approaches, procedures), their application to the municipality's current operations, and follow-up and monitoring of the application. Assistance of this type should include: financial analysis techniques (trend analysis, revenue potential, collection efficiency), operating program budgeting (building on the current process), and capital budgeting. These techniques will be applied to the relevant elements of the HG 001 to assist the municipality in monitoring its performance, particularly tracking cost recovery to keep pace with FEC repayment schedules. In addition, training in investment planning, including understanding terms of loans and evaluating the impact of loans on municipal finances, will strengthen the Tetouan's ability to understand the impact of HG 001's capital investments.

Timing: Assistance activities presenting improved financial management techniques will begin in years 1 and 2. Assistance thereafter will focus on the application of the techniques.

Level of effort: 11 person months over the course of the project.

- 2) Public works: The critical needs in the technical services regard technical capability and organization. Technical capability pertains to the staff's understanding of problems of

providing key public services for which they are responsible in HG 001: solid waste collection, road maintenance, sub-division approval and building permit letting, and waste water treatment plant and system operation. All but the last of these are current responsibilities. Organization pertains to the ability of the service director and division heads to effectively organize their staff and to recruit staff according to service needs. Recommended assistance activities focus on both of these elements.

Technical assistance should be provided to the service director and section heads in general management including staff organization, personnel management, task planning and budgeting, and performance measurements. This training could be in the form of a structured seminar presented by a combination of U.S. experts and a Moroccan training institution. In addition, these service members should receive assistance in the form of a short-term consultancy early in the project to review the technical services organizational structure, procedures, and staffing.

Training should also be provided to this level staff in the delivery of the key services noted above. Particularly important is the solid waste collection service. Here, it is recommended that assistance be provided in collection techniques (equipment and scheduling) and disposal. It is not in the scope of this assistance to provide full study and assistance in structuring the city-wide collection and disposal systems, but rather to provide limited assistance in alternatives which could be explored with other funding; municipal or external.

Training should also be provided to technician-level staff to improve their job competency. This type of training would be provided by Moroccan institutions through their normally scheduled programs at Regional training centers or specially-designed courses for Tetouan. Trainees would include shop managers, truck drivers, and skilled workers.

If the current design of municipal operation of the waste water treatment plant is maintained, the technical services division will need particular training in system and plant design and operations. Even if the Regie is the implementing agency for plant construction (see Section 3.6), key municipal staff should participate in training in treatment plant design and construction. As the plant construction proceeds, municipal staff hired for all levels of plant operations should be trained in their respective responsibilities from management to line technicians. Part of the procurement package for the plant should include training at the site of a similarly designed plant. Further training from U.S. experts (for senior management) and Moroccan training institutions (for technicians) should be provided in Morocco to complement the experience at the plant. The specific elements of this training should be defined after the sewage treatment plant has been designed and the municipality's role in operations has been approved. In view of the recommendation in Section 3.5.5.3 regarding RDE management of the plan, the TA/T required for plant operation is budgeted under the assistance of the Regie.

A final area of assistance to the Public Works Division should target the land development process. Because of the nature of the planning and development process, assistance should also be provided to the regional urban planning office. The objective of the assistance will be two-fold; (1) streamline, to the extent possible, the plan approval and subdivision approval process; and (2) review Plan d'amenagement to make it realistic and responsive to Tetouan's resources. The first item would involve reviewing the current status of plans and procedures and, using the Samsa component as a test, implementing a streamlined approval process.

Timing: Throughout the life of the project at 2 months per year for the first 3 years and 1 month per year for the final years.

Level of effort: 8 person months plus \$40,000 for local training contracts.

- 3) Computerization: Previous sections have identified two problems related to the municipality's data processing capabilities in HG 001: the significant number of records in terms of beneficiary files and cost recovery rolls and the current manual operation of municipal financial records. Equipping the administrative division with computer capability would assure that records get processed accurately and efficiently. This will be particularly important in order to mobilize revenues in a timely way to repay FEC loans. It is recommended that the possibility of computerizing all of the principal financial management functions (accounting, budgeting, and personnel) using existing financial management software packages be studied. Computerizing these functions would free up municipal staff to work on the financial management operations of HG 001 without imposing significant recurring costs on the municipality in the form of increased staff.

This activity should begin with a computerization needs assessment to identify needs, priority applications, and suitable hardware and software. It is assumed that a supermicro such as an IBM-AT and perhaps an additional microcomputer could satisfy municipal management needs. Following the study, hardware would be procured and staff trained in basic operations and specialized software. Attention should be paid to assuring compatibility between the municipal system and the microcomputer proposed for the ANHI field office. It is expected that technical assistance and continued training to monitor the use of the systems should continue throughout most of the project.

Timing: Needs assessment and computerization in first year.  
Initial installation in first year with phasing in of all applications by the beginning of the third year. Thereafter, monitoring assistance and perhaps updating of equipment and software.

Level of Effort: 9 person months.

Equipment Cost : \$55,000

## SECTION 3.6 REGIE AUTONOME INTERCOMMUNAL POUR LA DISTRIBUTION D'EAU ET D'ELECTRICITE (RDE)

### 3.6.1 Background, Activities

The RDE was created in 1970 to furnish water and electricity to the Tetouan provincial area. In 1978 and 1984, it assumed the service responsibilities of the networks operated by the electric utilities created during the Spanish Protectorate in the city. The RDE's current service area includes Tetouan Province and Larache. The Direction des Services Concedes of the Ministry of Interior is the "tutelle" for all utilities.

The utility functions as the producer and distributor of water in that it operates the water supply reservoir and the distribution system. On the other hand, it operates only as the distributor of electricity which is purchased from other agencies. The RDE's tariff structure is based on the marginal cost of service. Connection costs are recalculated each year to incorporate current operating costs.

Although meter reading is performed by Regie staff, there is a centralized accounting and billing service for all utilities at the Societe Interregie Informatique in Casablanca. Nevertheless, the RDE has developed a substantial data processing capability of its own using an NCR 9020 mini computer. Complete files on customer accounts, inventories, and personnel are maintained and are processed in either batch or interactive modes. On-line communications with Casablanca is planned.

### 3.6.2 Organization and Staff

Current staff of RDE number approximately 800 and are located in the main office of Tetouan and branch offices in Larache and Ksar el Kbir. The organizational structure divides the staff into three principal divisions with the internal audit and special services attached directly to the Director. The divisions include the Hydrolic Division, the Electricity Division, and the General Affairs Division. Each of the two service divisions has a production and distribution section. The General Affairs Division is responsible for feasibility and other studies, contracting, and

marketing. One of the special services attached to the Director is a training section which organizes in-service training programs for RDE staff. Professors include RDE senior staff and outside specialists. Courses include practical subjects such as detecting meter fraud and background courses in language and math.

### 3.6.3 Role in HG 001 and Institutional Capability

The specific responsibilities of the RDE in HG 001 have not yet been defined but the general areas of involvement can be discussed. The areas and the alternative relationships are:

<u>infrastructure</u>	<u>RDE Role</u>
off-site water mains, water tower, electricity	borrower or maitre d'ouvrage délégué for the municipality  cost recovery thru surcharge on bills
on-site water, electricity	under contract to ANHI
on-site water, electricity	cost recovery by hook-on charges
on-site street lighting	maitre d'ouvrage délégué
sewage treatment plant: construction	maitre d'ouvrage deleg. or borrower (legislation required)
operation	manager under contract to municipality, concessionary manager, or no role

As this table indicates, a variety of roles are possible in the project for the RDE. Those alternatives involving water and electricity would require service options which are customary for the utility. However, the responsibilities regarding the sewage treatment plant and system operation represent new service capabilities. Regardless of which alternative is selected for the sewage treatment plant, it is clear that the Regie will play a role

in overseeing plant construction and most likely in plant operation; roles for which it has not trained staff but which, consistent with national policy, it should logically assume.

Cost recovery responsibilities represent several customary operations also for the Regie. One exception will be the sewage treatment plant. As stated in Section 3.5.5, fee collection for sewage treatment is only permitted in Casablanca for which special legislation has been approved. Moreover, the director of the RDE estimates that hook-on fees for the new system will be difficult to collect from Tetouan residents where 60% paid their *taxe de première établissement* for the old system years ago.

#### 3.6.4 Recommended Training and Technical Assistance Activities

The objectives of the assistance to the Regie will be to provide its staff with the ability to plan, select, and manage the construction of the Tetouan-Martil sewage treatment plant. In the event that RDE is also responsible for sewerage system operation, a further objective is to provide its staff with the ability to operate and maintain the regional system. Proposed activities to achieve these objectives include the following:

- 1) Provide training to senior staff in sewage treatment techniques and plant designs and assistance in reviewing bids for plant construction.

Timing: Years 1 and 2 of the project, based on the schedule of the design studies.

Level of Effort: 2 person months.

- 2) Provide specialized training in sewage treatment plant operations for all levels of operating staff. Specific contents of the training will be based on the design of the plant and will be designed to complement training by the supplier. The program will be integrated into the current format of RDE internal training programs. Training for senior staff should be provided by an international expert while intermediate and technician

level training could be provided in collaboration with a local training institutional such as a regional Centre de Formation. One observational/training tour to a plant(s) of similar design for senior and intermediate staff is also recommended.

Timing: Shortly before the completion of construction of the plant.

Level of Effort: 3 person months for training, \$8,000 for the observational tour, and \$5,000 for a local training contract.

## SECTION 3.7 IMPLEMENTATION PLAN AND MANAGEMENT

Exhibits 3.7.1 and 3.7.2 indicate the general timing of inputs based on a five year implementation schedule. Further refinement of the definition of activities and their scheduling will also be necessary during development of annual work plans. However, as a general rule, TA should be provided according to a schedule which coincides with the schedule of other HG 001 activities. Although the proposed assistance activities will be useful in any event, their highest impact will be made if they correspond to the key stages of the project and the inputs of the participating agencies.

While the discussion to this point has presented the TA activities in Morocco, it has not addressed the management of the project which is key in view of the number and diversity of activities recommended. There are several options available to AID/Rabat, each with their specific costs and benefits. The options, of course, must be considered in light of the characteristics of the project which can be summarized as follows:

- a significant level of short-term effort from a variety of foreign experts;
- a primary focus of activities in Tetouan with a lesser amount of assistance to agencies located in Rabat (not just one geographic focus of activities);
- observational tours and conference attendance outside of Morocco.

In other words, because of the amount of travel between Morocco and, particularly, the U.S. and contracting requirements for consulting services in the U.S., the management structure must allow for basic decisionmaking in Morocco and flexible and responsive management in the U.S.

Three management options are worthy of discussion. They are:

- 1) Project manager resident in Morocco:

This option would have the advantage of assuring good communication and coordination between the manager and the resident technical advisor. However, the question would arise whether the manager should be based in Rabat (making communication with Tetouan more distant) or

Exhibit 3.7.1

IMPLEMENTATION PLAN  
TA/T INPUTS BY AGENCY

Agency	Year					Total
	1	2	3	4	5	
<u>F.E.C.</u>						
1. Short Term Assist.	1 pm	1 pm	1 pm	1 pm	1 pm	5 pm
2. Overseas Trng.		\$ 4,000	\$ 3,500			
3. Computer Procurement. Training	\$20,000 1 pc	1 pc				2 pc
<u>S.A.T.</u>						
1. Resident-Tetouan	6 pc	12 pc	12 pc	6 pc		36 pc
2. Short Term Assist.						
a. Institutional	1.5 pm					1.5 pm
b. Computerization	2 pc	2 pc	1 pc			5 pc
c. Tech. Training	2 pm	2 pm	3 pc	2 pm	1 pc	10 pc
d. (Total)	(5.5 pm)	(4 pm)	(4 pm)	(2 pm)	(1 pm)	(16.5 pm)
3. Computer Procurement	\$20,000	\$10,000				\$30,000
4. Local Mgmt. Contract		\$30,000				\$30,000
<u>MUNICIPALITY OF TETOUAN</u>						
1. Short Term Assist.						
a. Financial Mgmt.	2 pm	2 pm	2 pm	1 pm	1 pm	8 pm
b. Public Works Mgmt.	2 pm	2 pm	2 pm	1 pm	1 pm	8 pm
c. Computerization	2 pm	3 pm	2 pm	2 pm		9 pm
d. (Total)	(6 pm)	(7 pm)	(6 pm)	(4 pm)	(2 pm)	(25 pm)
2. Local Training Contract		\$10,000	\$10,000	\$10,000	\$10,000	\$40,000
3. Computer Procurement		\$30,000	\$15,000	\$10,000		\$55,000
<u>REGIE AUTONOME</u>						
1. Short Term Assist.	1 pc	1 pc		2 pc	1 pc	5 pc
2. Overseas Trng.				\$8,000		\$8,000
3. Local Training				\$2,500	\$2,500	\$5,000

Exhibit 3.7.2

IMPLEMENTATION SCHEDULE  
HG 001 T/TA

Institution/Activity	1	2	3 Years	4	5	Totals
<b>F.E.C.:</b>						
Training	-----	-----	-----	-----	-----	5 p/m
Computerization	-----					2 p/m
<b>R.D.E.:</b>						
T.A. (Sewage)	-----	-----				2 p/m
Training				-----	-----	3 p/m
<b>ANHI:</b>						
Resident	-----	-----	-----	-----		36 p/m
Institutional Ass.	-----					1.5 p/m
Computerization	-----	-----	-----			5 p/m
Technic. Training	-----	-----	-----	-----	-----	10 p/m
<b>Municipality</b>						
Financial Mngm.	-----	-----	-----	-----	-----	8 p/m
Public Works	-----	-----	-----	-----	-----	8 p/m
Computerization	-----	-----	-----	-----	-----	9 p/m

in Tetouan (making communication with Rabat more distant). Furthermore, the presence of a Morocco-based manager would not alleviate the need for management support and coordination in the U.S. Finally, there probably would not be sufficient work for the manager in Morocco over the course of the project to justify the significant expense of a resident position.

2) U.S.-based manager:

This option would provide the best coordination in the U.S. with short-term advisors and could provide a skilled manager at less than full-time, thereby reducing costs to the project. However, because of the need for good communication with operations in Morocco, periodic travel to Rabat and Tetouan would be necessary. For example, the U.S.-based manager should participate in the preparation of annual work plans and attend periodic (quarterly) project review meetings. This option assumes that the TA/T program is provided by a U.S. contractor, thereby bypassing AID procurement procedures for each short-term consultancy.

3) AID/Rabat management:

This option would provide the greatest Mission involvement in the project and would require the lowest cost program budget of all three options. On the other hand, it would impose greater operating costs on the Mission. It would also require direct contracting for each short-term consultancy which, in view of the number of such missions recommended for the program, could prove to be burdensome.

Of the three options, the U.S.-based manager would appear to be the most efficient and is recommended.

## SECTION 3.8 PROJECT BUDGET

Exhibit 3.8.1 presents the budget for proposed TA/T activities by year and by type of input, according to the schedule in Exhibit 3.7.1. As in the implementation section, management costs are not included in this estimated budget. Should the Mission opt for U.S.-based management, approximately \$75,000 per year additional funding may be required.

Exhibit 3.8.1

HG 001 T/TA  
ESTIMATED PROGRAM BUDGET

Element	Years					Total
	1	2	3	4	5	
Resident Advisor and office support	50	160	150	80	-0-	440
Short Term Advisors	217.5	210	165	135	75	802.5
Local Training Contracts	-0-	40	10	12.5	12.5	75
Overseas Training	-0-	4	3.5	8.0	-0-	15.5
Equipment	40	40	15	10	-0-	105
Total	337.50	454	353.5	245.5	87.5	1,478

Date: April 19, 1986

To: RHUDO/Rabat, Harry Birnholz, Regional Housing Officer

From: ANE/PD/ENV, Stephen F. Lintner, Environmental Coordinator JFL

Subject: MOROCCO - Tetouan Urban Development Project (608-HG-001) -  
Scope of Work for Environmental Assessment of the Wastewater  
Treatment Plant and Wastewater Disposal System

### 1. Introduction

The Regional Housing Office/Rabat has closely worked with the Environmental Coordinator, Bureau for Asia and Near East to assure that environmental concerns have been addressed in both the design and implementation of the Project. This concern is well illustrated by the detailed information on site specific environmental issues provided in Annex I of the Project Paper.

### 2. The Need for Preparation of an Environmental Assessment

The decision to include the design and implementation of a wastewater treatment plant and wastewater disposal system within the scope of the Project will require the preparation of an Environmental Assessment in compliance with the requirements of 22 CFR 216, "A.I.D. Environmental Procedures". The preparation of an Environmental Assessment, in accordance with the attached scope of work, will meet this requirement when complemented by an Environmental Mitigation Plan which identifies how the findings and recommendations of the Assessment will be incorporated into the implementation process for this element of the Project. It should be noted that no construction activities for either the wastewater treatment plant or the wastewater disposal system for the plant can be contracted for prior to the completion, review and approval of the Environmental Assessment and development of an Environmental Mitigation Plan.

### 3. Contracting for Preparation of the Environmental Assessment

It is recommended that the preparation of the Environmental Assessment be contracted as an element of the planned technical assistance program for the Project. The preparation of the Environmental Assessment is clearly within the capability of existing Moroccan consulting firms and should provide an opportunity for the consultant to apply their skills to a new type of study. It is estimated that the preparation of the study will require three person months of effort, six weeks for a physical planner and six weeks for an environmental engineer. It will also require one week of support by a draftsman and two weeks of secretarial support. This time estimate is higher than that for an American consulting firm due to the lack of experience Moroccan consulting firms have with doing this specific type of study.

### 4. The Requirement to Plan and Conduct a "Scoping Session"

A.I.D. environmental procedures require that a "Scoping Session" be held as part of the process of preparing an Environmental Assessment. The purpose of

a "Scoping Session" is to provide input into the implementation of the Scope of Work for the Environmental Assessment through the conduct of a review meeting. It has been the experience of the Bureau for Asia and Near East that such sessions are invaluable in providing an opportunity to identify local concerns and planning conflicts which may result in potentially significant delays in project implementation if not addressed in the design process. This is especially true of the siting of wastewater treatment plants and the selection of wastewater disposal options which often generate great controversy if not handled with sensitivity in the planning process.

5. Review of the Draft Environmental Assessment

The re delegations of authority to Mission Directors do not include the provisions of 22 CFR 216, "A.I.D. Environmental Procedures," therefore, all environmental clearances must be issued by the Bureau Environmental Coordinator. It is planned that the following A.I.D. direct-hire personnel would comment on the Draft Environmental Assessment during the 45 day review period:

- . Mission Environmental Officer, AID/Rabat;
- . Environmental Officer, Office of Housing, Bureau for Private Enterprise;
- . Environmental Coordinator, Bureau for Asia and Near East.

6. Preparation and Implementation of an Environmental Mitigation Plan

Concurrent with preparation of the Final Environmental Assessment, the Regional Housing Office will prepare an Environmental Mitigation Plan which will outline their decisions on incorporating the findings and recommendations of study into the implementation plan for the wastewater treatment plant and wastewater disposal system. This mitigation plan will be reviewed and approved by the environmental personnel identified in Section 5 above.

7. Environmental Clearance

Following review of the Final Environmental Assessment and the Environmental Mitigation Plan, the Bureau Environmental Coordinator, Bureau for Asia and Near East will issue a final environmental clearance which will allow the Regional Housing Office to proceed with construction.

8. Technical Support to the Regional Housing Office

The Environmental Coordinator, Bureau for Asia and Near East will be available upon request to provide support to the Regional Housing Office in preparation

of the subject Environmental Assessment. In addition, the Office of Housing should consider having either Dr. Ronald Stryker, Mission Environmental Officer and/or Robert Kahn, Mission Project Officer in the Office of Energy and Natural Resources (a former Regional Office Environmental Officer) meet with the consultant to discuss A.I.D. environmental requirements and review the Scope of Work.

Attachment: "Scope of Work - Tetouan Wastewater Treatment Plant and Wastewater Disposal System - Kingdom of Morocco"

cc: PRE/E, D. Painter  
AID/Rabat, R. Stryker, Mission Environmental Officer  
REDDC/Rabat, R. Adams, Project Manager

Document No. 1355G

SCOPE OF WORK  
ENVIRONMENTAL ASSESSMENT OF THE TETOUAN WASTEWATER TREATMENT PLANT  
AND WASTEWATER DISPOSAL SYSTEM  
KINGDOM OF MOROCCO

1. Legal Requirement for Preparation of an Environmental Assessment

The provisions of Government of the United States legal regulations entitled, 22 CFR 216, "A.I.D. Environmental Procedures" require the preparation of an Environmental Assessment for any action which is funded by the United States Agency for International Development (A.I.D.) which might result in significant environmental impact. These procedures require that all wastewater treatment plants and their wastewater disposal systems be subject to the preparation of an Environmental Assessment. It should be noted that Environmental Assessments are frequently required to be prepared for infrastructure projects which are submitted for funding to Multilateral and Bilateral International Development Institutions.

2. The Purpose of Environmental Assessments

The purpose of an Environmental Assessment is provide the individuals responsible for making decisions on the financing, design, implementation and operation and maintenance of a proposed project with an understanding of the potential environmental impacts of the proposed action and alternatives to the proposed action. The Environmental Assessment is structured so that these individuals can: (a) review the environmental implications of the action and its alternatives in a comparative fashion and (b) review proposed mitigation activities which would eliminate or reduce negative environmental impacts. It is important to note that the findings and recommendations of Environmental Assessments do not determine whether a project is implemented but rather are intended to provide decision makers with an understanding actions which they can take to address potential environmental impacts.

3. Outline of the Environmental Assessment

The Environmental Assessment should generally follow the outline provided below. It should be clearly understood by the individuals preparing the study that an Environmental Assessment is a concise analytical document directed to providing the reader with an understanding of potential environmental impacts and identifying what actions can be taken to eliminate or reduce these impacts. The consultant is encouraged to use maps, drawings, photographs and tables in preparing the Environmental Assessment.

Title Page

Executive Summary

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1. Description of the Proposed Action

The text should provide a description of the proposed wastewater treatment plant and wastewater disposal system. This should include an analysis of capital cost (foreign and local currency), operation and maintenance costs (foreign and local currency), institutional development and training requirements, personnel requirements, an analysis of reliability of the proposed plant and system under Moroccan conditions and anticipated environmental benefits.

2. Alternatives to the Proposed Action

The text should provide a description of pragmatic, cost-effective and implementable alternatives to the proposed action. This will include the following alternatives:

- No Action Alternative (This alternative would assume that no investment would be made in wastewater treatment and wastewater disposal).
- Wastewater Treatment Technology Alternatives (Type of Treatment, Level of Treatment).
- Wastewater Disposal System Technical Alternatives.
- Siting Alternatives for the Wastewater Treatment Plant, Wastewater Disposal System and Discharge Point.
- Phased Implementation Alternatives for the Wastewater Treatment Plant to Provide for Staged Investments in the Levels of Treatment and/or Capacity of the Plant.

3. The Existing Environment

The text should provide a concise description of existing environment in the project area to include a description of physical, biological and cultural

features. The text should pay particular attention to elements of the environment which will be potentially effected by the proposed action or alternatives to the proposed action. The text should provide specific information on the present practices of wastewater collection and disposal, it should include an estimate of the volume of wastewater and characterize its composition, and a description should be provided of streamflow characteristics and water quality.

The text should also provide a description of Government of Morocco policies and laws concerning the collection, treatment and disposal of domestic and industrial wastewater. The text should describe any permits which will be required for the discharge of wastewater and identify authorities which have responsibility for the monitoring of the operation of the wastewater treatment plant and wastewater disposal system.

4. Potential Environmental Impacts from the Proposed Action and Alternatives to the Proposed Action

The text should provide a comparative analysis of the potential environmental impacts resulting from implementation of the proposed action and alternatives to the proposed action. It should provide an analysis of the differences in capital cost, operation and maintenance cost, institutional development and training requirements, personnel requirements, reliability under Moroccan conditions and environmental benefit between the proposed action and the alternatives.

5. Proposed Mitigation Actions to the Proposed Action and Alternatives to the Proposed Action

The text should identify mitigation actions which can be taken to eliminate or reduce potential negative environmental impacts of the proposed action and alternatives to the proposed action. All proposed mitigations should be pragmatic, cost-effective and implementable. Proposed mitigations will include an analysis of capital cost, operation and maintenance cost, institutional development and training requirements, reliability under Moroccan conditions and environmental benefit.

6. Annexes

The text shall contain the following annexes, however, the consultant may provide additional annexes as appropriate.

Annex A. List of Preparers

Annex B. Bibliography

Annex C. Record of the Scoping Session

Annex D. List of Persons Contacted

#### 4. Special Issues:

The text of the Environmental Assessment shall address the following concerns:

##### A. Potential Impacts to Archaeological and/or Historical Sites

The text shall provide a discussion of potential impacts to archaeological and/or historical sites as the result of implementation of the proposed action or alternatives. The consultant shall meet with representatives of the Government of Morocco authorities responsible for the protection of archaeological and historical sites to review the location of sites in the project area and to assess potential impacts.

##### B. Potential Impacts to Rare and/or Endangered Species and their Critical Habitat

The text shall provide a discussion of potential impacts to rare and/or endangered species and their critical habitat as the result of implementation of the proposed action or alternatives. The consultant shall meet with representatives of the Government of Morocco authorities responsible for the protection of rare and/or endangered species to determine what species are in the project area, identify areas of critical habitat and to assess potential impacts.

#### 5. The Planning and Conduct of a "Scoping Session"

A.I.D. environmental procedures require that a "Scoping Session" be held as part of the process of preparing an Environmental Assessment. The purpose of a "Scoping Session" is to provide input into the implementation of the Scope of Work for the Environmental Assessment through the conduct of a review meeting. Experience in other countries in the Near East has show that "Scoping Sessions are invaluable in providing an opportunity to identify local concerns and planning conflicts which may result in potentially significant delays in project implementation if not addressed in the design process. This is especially true of the siting of wastewater treatment plants and the selection of wastewater disposal options which often generate great controversy if not handled with sensitivity in the planning process.

The following steps should be taken in the planning and conduct of a "Scoping Session":

A. The meeting will be chaired by a representative of the Government of Morocco organization responsible for implementation of the proposed wastewater treatment plant and wastewater disposal system.

B. The meeting will be held at a suitable facility in Tetouan and should take approximately 2 hours.

C. A list will of organizations/individuals to be invited to attend the meeting will be developed by the consultant in consultation with the client and the A.I.D. Regional Housing Office. The list should include representatives of organizations which will have responsibility for the financing, construction, operation and maintenance of the facilities; representatives of organizations which may be subject to potential environmental impacts from the project; and individuals knowledgeable of the type of intervention and potential sources of data for preparation of the Environmental Assessment. The client will be responsible for issuing the invitations.

D. The meeting should follow the following format:

- . Meeting is Called to Order by the Chairman
- . Meeting Participants Introduce Themselves
- . A Brief Presentation by the Consultant on the Proposed Action
- . A Brief Presentation by the Consultant on the Purpose and Objectives of Environmental Assessments
- . Brief Presentation by the Consultant on the Anticipated Environmental Impacts of the Proposed Action based on preliminary investigations
- . The Chairman Supervises an Question and Answer Session
- . The Chairman Requests Organizations Which Have Useful Information for Preparation of the Environmental Assessment to Discuss the Information and Make Arrangements for Meetings with the Consultant

E. The consultant shall make a list of those individuals which attend the meeting and a record of their comments. This material should be included as an appendix to the Environmental Assessment.

6. Proposed Personnel to Prepare the Environmental Assessment

It is anticipated that the consultant shall provide the a two person team to prepare the Assessment with qualifications and experience as follows:

A. Physical Planner: The consultant shall provide an individual with professional training and experience in the planning, design and implementation of programs of urban infrastructure including wastewater treatment plants and wastewater disposal systems. The individual shall be responsible for the description of the existing environment, analysis of wastewater treatment plant site alternatives and wastewater disposal system alignment and discharge point alternatives. They shall be responsible for the analysis of permitting and monitoring requirements. The physical planner shall assist the environmental engineer in the assessment of reliability of the proposed action, alternatives and mitigations under Moroccan conditions.

B. Environmental Engineer: The consultant should provide an individual with professional training and experience in the planning, design, operation and maintenance of wastewater treatment plants and wastewater disposal systems. This individual shall be responsible for the description of the proposed project and alternatives, analysis of the potential impacts of the proposed action and alternatives, and analysis of mitigation actions. The individual should be capable of developing basic cost estimates for both capital and recurrent costs associated with the proposed action and alternatives and for mitigation activities.

#### 7. Work Plan and Review Process

The first task of the consultant shall be to prepare a work plan for the preparation of the Environmental Assessment for review and approval by the client. This plan shall provide a proposed date for the "scoping session" and include a 45 day review and comment period between preparation of the Draft and Final Environmental Assessments.

#### 8. Progress Reports

The consultant shall submit a monthly progress report on the preparation of the Environmental Assessment. The report shall contain a summary of progress made in preparation of the Environmental Assessment, list key meetings, identify significant problems and provide for an accounting of labor and other costs.

#### 9. Publication of the Environmental Assessment

The consultant shall provide the client with 20 copies of both a Draft and Final Environmental Assessment.