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PROJECT DESCRIPTION

TETOUAN URBAN DEVELOPMENT PROJECT

HG-001

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Abbreviations and Acronyms

ANHI	Agence Nationale de Lutte Contre l'Habitat Insalubre
BDCL	Banque de Développement des Collectivités Locales
CDG	Caisse de Dépôt et de Gestion
CERAU	Centre d'Etude de Recherche de l'Aménagement et de l'Urbanisme
CCA	Cellule de Concertation et d'Assistance (for the ZAC)
CDG	Caisse de Dépôt et de Gestion
DGCL	Direction Générale des Collectivités Locales
Dh	Dirhams (\$1.00 = 8.5 Dh)
EA	Environmental Assessment
FEC	Fonds d'Equipement Communal (Municipal Investment Fund)
GIS	Geographic Information System
GOM	Government of Morocco
HG	Housing Guaranty (shelter financing program of USAID)
IBRD	International Bank for Reconstruction and Development
MDH	Millions of Dirhams
MHAT	Ministère de l'Habitat et de l'Aménagement de Territoire
MOH	Ministère de l'Habitat
MOI	Ministère de l'Intérieur
MOF	Ministère des Finances
MUN	Municipality of Tetouan
PDU	Projet de Développement Urbain à Tetouan
RDE	Régie de Distribution d'Eau et d'Electricité
RHUDO	Regional Housing and Urban Development Office
SDAU	Schéma Directeur d'Aménagement Urbain
SIG	Système d'Information Géographique
SIU	Système d'Information Urbain
SPA	Special Project Account (PDU)
TG	Tresorie Générale
USAID	United States Agency for International Development
ZAC	Zone d'Aménagement Concerté

1.0 Summary of HG-001 Project Description

Background

The Tetouan Urban Development Project is designed to assist the Government of Morocco (GOM) to improve housing conditions through a comprehensive approach while building the institutional capacity so vital for decentralization. It is the first large-scale project which combines upgrading and legalization of existing neighborhoods with the timely provision of serviced plots to guide future growth and meet future housing demand. The Project was viewed as a pilot effort, testing a wide range of interventions in a single city. The Project Paper was completed in 1985, and the Agreement signed with the GOM in April 1987. When signed, it was anticipated that all loans would be disbursed within 5 years.

A Training and Technical Assistance Project (608-0194), accompanies and advances the goals of the HG-001 investment program in Tetouan by reinforcing HG-001 institution-building activities. While briefly discussed in the present report, it is the subject of a separate project description.

Mechanics of HG-001 Loan

Under the terms of the HG-001 loan, USAID guarantees a loan from the American bank to the Trésorie Générale (part of the Ministry of Finance), which in turn loans the funds to the Fonds d'Équipement Communal. The Ministry of Finance takes on the exchange risk with approximately 2% of the principal, then provides the funds to the FEC. The FEC in turn loans the funds to the Municipality, with approximately 1.5% to cover administrative costs. The first loan, for \$8.5 million, occurred in March 1990, and the second tranche, of \$9 million was loaned in May 1993. There is \$7.5 million remaining in the HG-001 loan fund, which is expected to be deauthorized.

Project Components

The Tetouan Urban Development Project consists of five planned "complementary and mutually reinforcing components", which are:

- 1) The institutional component, designed to develop and improve an administrative structure capable of addressing the issues and administering to urban development and shelter finance for low-income households.
- 2) Upgrading of Dersa and Samsa I neighborhoods, consisting of infrastructure improvements, construction of 200 low income housing units to replace structures demolished, and registry of all land titles to legalize land occupancy and tenure.

3) The Zone d'Aménagement Concerté (ZAC), a joint public/private planning and financing project to supply primary infrastructure to 140 hectares of private land to generate cross-subsidies.

4) The Sites and Services component, which develops serviced housing plots for low-income families and generates cross-subsidies through the sale of valuable sites. This component consists of approximately 2,000 serviced low-income plots, as well as villa plots, and a number of larger plots for apartment and commercial construction.

5) The Off-Site Infrastructure component consists of construction of a municipal sewerage collection and treatment system, primary through outfall collectors, lift stations and a sewerage treatment plant with cost recovery by municipal taxes to all Tetouan residents. The Municipality of Tetouan's failure to borrow the final tranche of \$7.5 million has reduced the scope of this component and no treatment plant will be built as part of the Project.

Project Implementation

Creating the structural framework necessary to carry out the project required four years beyond the Project Paper signing date, until November 1989. This was a period of program planning and design, as participating institutions and their roles were identified.

Construction startup was slow, mainly due to the complexity of the project. However, once construction began, it proceeded relatively smoothly. The first major activity undertaken was the construction of 200 low-income housing units to rehouse inhabitants displaced by demolitions. Following extensive technical studies, construction began in August, 1989, and by December, 1991, all 200 housing units were completed. Infrastructure work began in 1991 for all zones.

As of September, 1993, 95% of the physical construction in the Upgrading zone, including sewerage, roads, potable water, and electricity had been completed. Also, the main thoroughfare through the Dersa-Samsa neighborhood was completed by that time. However, beneficiary payments are well-below targets, due to land registration problems and political changes. In the Sites and Service zone, approximately 95% of the physical work is now completed. Expenditures to date are \$6.8 million, with receipts of \$12.4 million, which were used to subsidize the infrastructure construction in the Upgrading component.

Infrastructure work in the ZAC began in 1991, but there has been little activity on this component for the last four years. Reasons accounting for this are the newness of the concept, the lack of national implementing legislation, and the disinterest in or ignorance of the project by the private sector. The lack of activity in the ZAC means no cross-subsidization of low-income housing units occurred as anticipated in the Upgrading Zone. The off-site infrastructure component also experienced a slow start-up. In 1992, under 608-0194, an American-Moroccan engineering consortium began work on a Sewerage Master Plan for Tetouan. All environmental assessments and construction was halted awaiting completion

of the technical studies for the Sewerage Master Plan, which is now in Phases I and J.

The following table compares Project Paper goals with actual outputs to date. As can be seen, in every category the targets have changed through time. This is due to realignment of zones, political forces, or lack of funding.

Anticipated Project Outputs vs. Actual Outputs

Component	Anticipated Outputs, 1985	Outputs to Date, Jan. 1996
Upgrading	<ol style="list-style-type: none"> 1) primary & secondary infrastructure installed 2) 7,500 property titles registered 3) sale of 3,300 houselots 4) rehouse 270 households 	<ol style="list-style-type: none"> 1) completed in project area 2) 3,100 titles registered 3) 3,862 lots, but none sold 4) 200 houses built, 127 households rehoused*
Sites/Service	<ol style="list-style-type: none"> 1) complete infra. on 130 ha 2) 4,000 low income housing plots 3) sale 10 ha villa sites 4) sale 16.5 ha comm./apt. sites 5) 3.5 ha for public services 	<ol style="list-style-type: none"> 1) size decreased, infra. completed on 60 ha 2) 1,900 low income housing plots 3) all villa sites sold 4) 75% of comm./apt. sites sold 5) Land provided for school and public administrative bldgs.
ZAC	-primary infrastructure to 70 ha	-infrastructure 30% complete
Off-Site Infrastructure	<ol style="list-style-type: none"> 1) provide main collector 2) connections to existing outfalls 3) sewage treatment plant. 	<ol style="list-style-type: none"> 2) connections to outfalls 100% complete.

*Changes in road design reduced the number of units demolished.

Source: Adapted from HG-001 Project Paper.

Impediments to Project Implementation

The two largest slowdowns during the Tetouan Urban Development Project were the reorganization of the FEC in 1992, and the division of the Municipality of Tetouan into an urban community with two communes underneath (Tetouan Urban Community, Sidi Al Mandrih and Al-Azhar), also in 1992. The Community of Al Azhar chose to inherit the Tetouan Urban Development Project, since the Dersa-Samsa neighborhoods fall within its boundaries. It also chose to inherit the Special Account and its debts. Community Al Azhar has since encountered severe financial difficulties. USAID and the Moroccan central government urged Al Azhar to transfer the entire project to the Urban Community, but the

newly elected mayor refused. As of 1994, Al Azhar has been unable to keep up repayment installments to the FEC. The ANHI has likewise not been paid since mid-1993, and has stopped providing quarterly reports to the Community.

Conclusion

The ambitious Tetouan Urban Development Project was meant to test a wide range of service and shelter options, in order to streamline the urban development model for use in other cities. To this end the project has very clearly shown what works and what doesn't, so the Government of Morocco is in a much better position to orient future urban development activities. The reasons for success or failure of a given component are complex, and often relate more to political or social reasons than to a flaw in project design. In this respect it is difficult to envision a modified project design which would accomplish all project goals. In some cases implementation was slow, but considering the enormous institutional strengthening that had to take place in order for any earthmoving could begin in Dersa-Semsa, these delays should not be considered excessive.

2.0 Background and Design of HG-001

2.1 Introduction

Morocco's urban areas have experienced such rapid growth that the formal housing sector has been unable to meet the housing needs of low-income families. Two types of settlements arose on the periphery of cities: bidonvilles and clandestine housing. Bidonvilles are usually unserviced neighborhoods of extremely rudimentary shelter, while clandestine housing is unserviced shelter with more substantial building materials that lack land ownership and municipal authorization. Under the Protectorate and until quite recently, housing assistance activities in Morocco have focused on relocation of bidonville inhabitants to other areas of cities.

Changes in this policy began in the late 1970's with the realization that the Government of Morocco (GOM) could not subsidize all bidonvilles or hope to relocate inhabitants into more substantial dwellings, particularly in the face of budgetary constraints. At the same time, clandestine or informal housing in Morocco skyrocketed, with little possibility for revenue generation since these dwellings are not formally registered. Since the early 1980's, the GOM has identified regularization of clandestine housing as its top priority. The Ministry of Housing has also undertaken policies to further goals of municipal revenue generation and cost recovery in decentralization.

The Tetouan Urban Development Project is designed to assist the GOM to improve housing conditions through a comprehensive approach while building the institutional capacity so vital for decentralization. It is the first large-scale project which combines upgrading and legalization of existing neighborhoods with the timely provision of serviced plots to guide future growth and meet future housing demand. This pilot project serves as an ongoing resource for Moroccan public agencies hoping to replicate the most effective and cost-efficient project components in other cities through time. The Project centers on HG-001, a USAID housing loan guarantee of \$25 million which allows the GOM, through national and municipal implementing agencies, to provide infrastructure and public/private development opportunities in Northern Morocco. The project encourages the GOM to:

- * address the problem of clandestine dwellings in a systematic manner,
- * provide affordable housing options to low-income families,
- * develop the institutional capacity of Moroccan agencies to replicate similar projects in other parts of Morocco,
- * promote private sector involvement in service delivery and housing construction, and
- * develop efficient city management.

A related Training and Technical Assistance Project (608-0194), accompanies and advances the goals of the HG-001 investment program in Tetouan. It reinforces HG-001 institution-building activities through short-term advisors that provide technical assistance, on-the-job training, and seminars to address general project management, financial management, cost recovery, revenue generation, provision of municipal services, and computer information needs. Originally part of the HG-001 Project Paper, this bilateral project was expanded through subsequent Project amendments with the realization that such a complex urban development project required extensive institutional strengthening to achieve project goals. The Technical Assistance and Training Project, (608-0194) while briefly discussed in the present report, is the subject of a separate project description. However, the two projects work in tandem to reach infrastructure and policy objectives.

2.2 Background of HG-001

The HG-001 Project was originally proposed in 1979 for the Ben M'Sik housing project in Casablanca, but was transferred to the Tetouan region at the request of the GOM following developments in Casablanca which impeded project implementation. No other urban community was considered for the HG-001, since the Tetouan area corresponded so well with USAID objectives. Furthermore, the Municipality of Tetouan had been aggressive in housing and infrastructure planning since the first Dersa Zone Development Plan was developed in 1966. However, prior to USAID involvement in the early 1980s, funding was not available for program implementation.

Beginning in 1981, serious discussions about a shelter project in Tetouan took place, as USAID worked with the Moroccan Ministry of Housing, the Ministry of Interior, the Municipality of Tetouan, and others to develop a pilot program in Tetouan. 1981 to 1985 was a period of information collection and dialogue. During this time, a preliminary Tetouan Urban Development Project was included in the HG-002 project design, but later removed when funding was substantially reduced. Discussion of the Tetouan Project centered on four integrated components:

- a) upgrade the Dersa-Samsa neighborhoods in Tetouan, which harbor the most clandestine dwellings;
- b) provide infrastructure to areas adjacent to the clandestine neighborhoods to prevent their spread;
- c) create a public-private development zone; and
- d) provide off-site infrastructure such as sewer lines and a sewage treatment plant for Tetouan.

Direct short term technical assistance was provided during that time by an AID-funded advisor under USAID/Morocco's Low Income Shelter Project (608-0156).

The Project Paper was completed in 1985, and the Agreement signed with the GOM in April 1987. At that time, it was anticipated that all loans would be disbursed within 5 years.

2.3 Actors in the Tetouan Urban Development Project

One of the most ambitious aspects of the Tetouan Urban Development Project is the attempt to bring together agencies at the national and local level for the first time in a meaningful dialogue about municipal services. While the sheer number of agencies involved slowed down the implementation timetable, it was also a grand exercise in institution building. The roles of major players are listed below.

Ministry of the Interior (MOI)

Prior to Project implementation, the Ministry of the Interior took over several responsibilities from the Ministry of Housing, including town and regional planning functions, and the INAU (National School of Architecture). The Ministry of the Interior represented the GOM in HG-001 contract negotiations, and directs the Tetouan Project at the central level. The Direction Générale des Collectivités Locales (DGCL), within the MOI works in close coordination with the Municipality of Tetouan for project implementation and especially to ease administrative bottlenecks.

Fonds d'Équipement Communal (FEC)

Created by Dahir in 1959 as a subsidiary of the Caisse de Dépôt et de Gestion (CDG), the FEC provides medium- and long-term financing to municipalities, rural and urban Communities and local utility agencies for infrastructure development such as water supply, electricity, sewer and drainage networks, **garbage collection and treatment, transportation, special community facilities, roads and sidewalks and studies.** For the HG-001 Program, it is the intermediary financing institution between the U.S. Government and the Municipality of Tetouan for the loan guarantee fund, and also finances a part of infrastructure within the zone.

Municipality of Tetouan

The Municipality of Tetouan is the Maitre d'Ouvrage with overall responsibility for the project including capital investment, cost recovery, and new infrastructure operation and maintenance. Infrastructure activities are shared with the Régie Autonome Intercommunale de Distribution d'Eau Potable et d'Electricité (RDE) de Tetouan. The Municipality is under the auspices of the DGCL.

Agence Nationale de Lutte Contre l'Habitat Insalubre (ANHI)

Created in 1984, under written agreement with the Ministry of Finance and Ministry of Housing, ANHI has the power to buy, develop and sell land; to undertake required studies; to construct housing units for rehousing low-income populations when necessary, and to

participate in the construction of related community facilities. In the Tetouan project ANHI is charged with overseeing implementation. ANHI acts as a private consultant to the Municipality of Tetouan, managing technical studies and construction in exchange for 6% of each construction contract they manage. Additionally, approximately \$400,000 (4 MDH) of monies previously received but not expended through HG-002 were transferred into the ANHI account for baseline studies as one of the Conditions Precedent to the signing of the Housing Agreement between the GOM and USAID.

Régie de Distribution d'Eau et d'Electricité (RDE)

The Régie de Distribution d'Eau et d'Electricité was involved in early project design as a partner with the Municipality of Tetouan for provision of infrastructure. As envisioned, the Régie would contract with the Municipality (following USAID contractor guidelines) for water and electric hook-ups in the project area. For many reasons, which will be discussed in the Implementation Section below, the RDE's role was not fully realized.

USAID

USAID's role, as delineated in the Project Paper, is to guarantee, in the name of the U.S. Government, loans sponsored by US private financial institutions for \$25 million dollars, with the Regional Housing and Urban Development Office in Rabat (now the Environment and Urban Programs Office) coordinating program management and follow-up. Total cost of the program is estimated at \$34 million, of which \$29 million is for studies, housing improvements, and procurement of needed materials. **Once the loan documents were signed, AID's role was to have been minimal; however, extensive oversight was required to keep the project moving forward, as considerable time was needed to forge alliances and establish procedures among agencies that had never worked together before.**

2.4 Mechanics of HG-001 Loan

In the simplest terms, the institutional model for HG-001 consists of a banker (FEC), a developer (ANHI), and a client (MUN). Under standard USAID agreements, the Government of Morocco signed an accord (through the Bank of Morocco and the Ministry of Finance) to receive U.S. currency and pass the dirham equivalent to the FEC. USAID guarantees the loan from the American bank to the FEC. Money is loaned to the Ministry of Finance, which takes on the exchange risk with approximately 2% of the principal, then provides the funds to the FEC. The FEC in turn loans the funds to the Municipality, with approximately 1.5% to cover administrative costs. The FEC must repay the Trésorie Générale (TG) within 30 years, while the Municipality has 15 years to repay the FEC. Under the terms of the agreement the FEC requires the Municipality to begin reimbursement within two years of the loan, while it has ten years to begin reimbursement to the TG. The FEC also passes on the 1% flat commission for account administration charged by the TG to the Municipality.

First HG-001 Agreement

Actual experience differed slightly from the Project Paper. In March 1990, following an international bid, the FEC received seven offers from U.S. investors interested in the project. Discussions ensued until May, when the first letter of Agreement was signed between Fonds d'Équipement Communal (the borrower), with Lazard Freres & Co. (investor), Riggs National Bank of Washington (paying agent) and the Office of Housing and Urban Programs (guarantor) for a \$8,500,000 promissory note. Lazar's final offer was as follows:

9.28% interest rate + .15% (investment fee) + .008% (Riggs fee) +.033% (1% HG fee) + .50% (USAID annual fee) for a total lending rate of 9.836% for the Trésorie Générale.

Second HG-001 Agreement

As construction projects got underway in Tetouan, plans were made for the second installment of the HG-001 loan. In 1993 the second agreement was signed, this time between the Fonds d'Équipement Communal (the borrower), with First National Bank of Chicago (investor), Riggs National Bank of Washington (paying agent) and the Office of Housing and Urban Programs (guarantor) for a \$9,000,000 7.29% fixed rate promissory note (before fees). This resulted in the following:

\$8.51 million in project expenditures + \$.25 million (closing costs) and \$.24 million to allow currency fluctuations through the time of disbursement.

These two offerings total \$17.5 million, with \$7.5 million still available to date in the HG-001 loan.

Creation of the Special Account

To facilitate the transfer of funds between the FEC and the Municipality of Tetouan, a Special Project Account (SPA) was created at the Municipality of Tetouan in 1988 by decree of the Ministry of Finance and the Ministry of Interior. This avoided revenue earmarked for the Tetouan project transiting through the Central Budget. The Special Project Account, a completely new method for Tetouan, was fed by the FEC as funds were expended. In addition, the Municipality of Tetouan should have contributed 77 MDH to the Special Account to date, but has only contributed 1.38 MDH.

2.5 Goals of the HG-001 Project

In the Project Paper, the Tetouan Urban Development Program goal is:

To improve the shelter conditions of low income households in urban areas in Morocco by a) upgrading clandestine settlements and preventing their spread in a major Moroccan secondary city, and b) developing a model of a comprehensive approach to urban development and shelter finance for low-income families.

Imbedded within these goals are supporting objectives such as:

- * Support GOM policies which are aimed at addressing the problem of proliferation of clandestine settlements;
- * Increase the availability of affordable shelter for low income families;
- * Create an institutional structure capable of implementing similar projects in other urban areas;
- * Support GOM efforts to strengthen local government's ability to deliver services to residents on a cost-effective basis;
- * Increase the capacity of the Municipality to guide their own urban development;
- * Mobilize private sector resources to better meet housing demand.

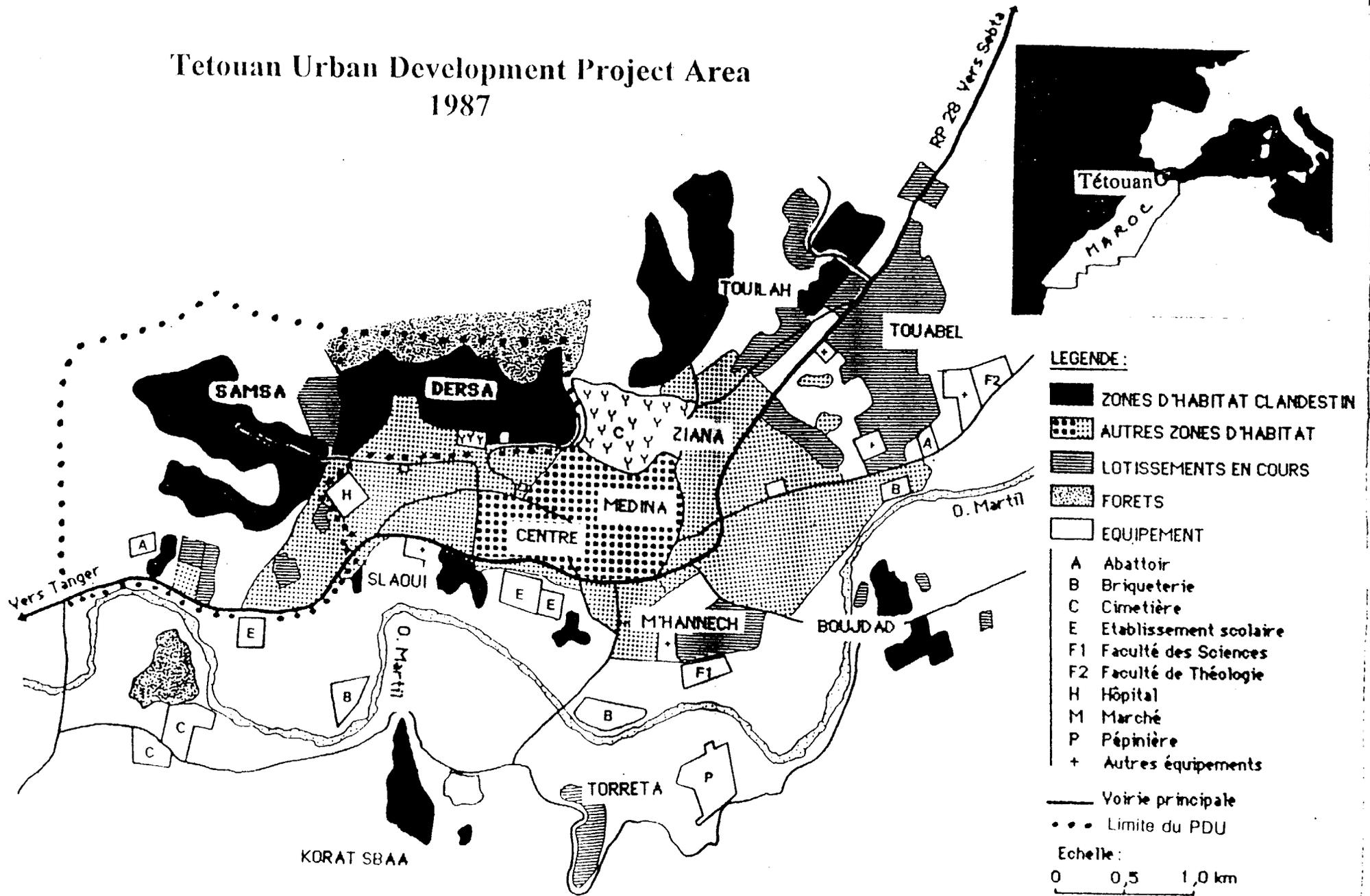
The Tetouan Project Site

The Dersa-Samsa neighborhoods cover steep hills overlooking the city center in Tetouan, and are inferior both in infrastructure and housing quality. While the project area has some bidonvilles, the majority of dwellings are clandestine housing. A 1986 socio-economic baseline study of the neighborhood found a growth rate of 4.8% per year and an average household income of approximately 1,100 DH per year. The Dersa neighborhood is the target of the Upgrading Component, while the Samsa neighborhood, divided into Samsa I and II, contains the ZAC and Sites and Services Component. A map of the project area is found on the following page.

2.6 Major Project Components

The Tetouan Urban Development Project consists of five "complementary and mutually reinforcing components", and represents the largest attempt in Morocco to restructure a neighborhood, made more difficult by the area's topography (steep and rocky), the narrow streets, and by the large number of landowners. Costs recovery was envisioned by user fees for infrastructure connections, a project betterment assessment added to utility user charges, a title registry assessment, and Municipal real estate taxes to cover the pro-rated costs of off-site infrastructure. The five components are:

Tetouan Urban Development Project Area 1987



Source: ICMA/Benjelloun, 1992

1) The institutional component is designed to develop and improve an administrative structure capable of addressing the issues and administering to urban development and shelter finance for low-income households. Much of the institution building component was later included in the separate Training and Technical Assistance Project, (608-0194) through Project Paper amendments.

2) Upgrading of Dersa and Samsa I neighborhoods, consisting of infrastructure improvements, construction of 200 low income housing units to replace structures demolished, and registry of all land titles to legalize land occupancy and tenure.

Infrastructure improvements include:

- * a primary road system for entire site;
- * Completion of the water supply network and the sewerage network;
- * Offsite sewerage connections hooking up to the municipal collector and sewage treatment facility;
- * Approximately 1300 house connections to the electrical supply network;
- * Offsite reservoir sufficient to supply existing population.

While the Project Paper defines the Upgrading area as 70 hectares (ha), the size was later modified to 174 ha for two reasons. Firstly, the clandestine neighborhood grew through time, as new areas were incorporated into the study area. Secondly, following the socio-economic study in 1986, adjacent areas with the same characteristics were also incorporated.

3) The Zone d'Aménagement Concerté (ZAC) is a joint public/private planning and financing project to supply primary infrastructure to 140 hectares of private land to generate cross-subsidies. The zone, adjacent to the upgrading area, originally was 70 ha of privately owned land in Samsa I zoned for high density low income housing. Due to realignment following the technical studies, the ZAC size increased to 140 ha. Landowners are billed directly for primary infrastructure installed in direct proportion to the size of their land, and pay either in lump sum or up-front payments. While no HG financing is used for this activity, technical assistance is provided through 608-0194 for studies.

4) The Sites and Services component plans ahead for the next 5-8 years to prevent future clandestine housing growth by providing housing opportunities to low income families. The idea is to develop serviced housing plots for low-income families and generate cross-subsidies through the sale of valuable sites. The zone (60 ha) is located in the Samsa II neighborhood, adjacent to the clandestine housing area. Sites are improved with primary, secondary, and tertiary infrastructure, subdivided, then sold. Profits from plot sales allow cross-subsidies to the Upgrading component (see component 1 above). This component consists of

approximately 2,000 serviced low- income plots, as well as villa plots, and a number of larger plots for apartment and commercial construction.

5) The Off-Site Infrastructure component consists of construction of a municipal sewerage collection and treatment system, primarily through outfall collectors, lift stations and a sewerage treatment plant with cost recovery by municipal taxes to all Tetouan residents.

While technical assistance is mentioned in the Project Paper, specific activities such as training and workshops were to have been developed in collaboration with the Moroccan implementing agencies. This formed the basis for the Training and Technical Assistance (608-0194) amendments to the HG-001 Project Paper, discussed in a separate report.

3.0 Tetouan Urban Development Project Implementation

Creating the structural framework necessary to carry out the project required two years beyond the Housing Program Agreement signing date, and four years beyond the Project Paper signing date, until November 1989. This was a period of program planning and design, as participating institutions and their roles were identified, and the GOM project participants met the Conditions Precedent. The series of agreements necessary between national and local agencies, which required extensive USAID coordination, are listed below.

3.1 Institutional Agreements

Year	Agreement	Function
March, 1987	MUN-ANHI	ANHI to manage all technical and construction services for Tetouan Urban Dev. Proj. in exchange for 6% of contract bids.
April, 1987	GOM-USAID	Housing Program Agreement signed for HG-001.
December, 1989	FEC-RDE	FEC to provide financing for RDE infrastructure activities as part of Tetouan Urban Dev. Proj.
December, 1989	FEC-MUN	FEC to provide financing for MUN activities.
January, 1990	MUN-RDE	Parties agreed to work together on project implementation. MUN may give up role of project owner to RDE for infrastructure in Sites/Services Component.

Source: USAID files.

One of the major delays in implementing the institutional framework was that the FEC and the RDE desired detailed site analysis before officially engaging in the project, while USAID and ANHI were interested in getting the agreements in place before proceeding with research and construction. Had USAID been inflexible with regard to the phasing of project components, it is doubtful the project would have continued. Other necessary activities included opening an on-site ANHI office in Tetouan and the PDU unit within the Municipality to run the project.

Improvement projects in the Tetouan area were also hindered by the poor land record system (Dahir Khalifien) left by the Spanish colonial administration, making purchase of land by the GOM very difficult and time consuming. Extreme land parcelization and a multitude of land owners in the Dersa-Samsa neighborhoods (less than 10% own more than one land parcel) compounded the problem. Additionally, the steep, rocky terrain with narrow streets hampered construction, requiring more in-depth technical studies. Construction bids were also higher than originally anticipated in the Project Paper. The following chart provides a chronology of the major events in HG-001 Project implementation.

3.2 HG-001 Major Events

Jan., 1985	Negotiations begin between USAID and the GOM
Sept., 1985	HG-001 Project Paper signed by USAID/Rabat Director
March, 1986	Socio-economic survey begins, transfer of \$400,000 (HG-002 to ANHI)
August, 1986	Agreement signed between USAID and Ministry of the Interior
March, 1987	Agreement signed between Municipality of Tetouan and ANHI
April, 1987	Signature of l'Accord du Programme d'Habitat
Nov., 1987	Satellite center of ANHI opens in Tetouan
Nov., 1987	Loan contract signed FEC/MUN for construction of 200 dwellings
Feb., 1988	Treasury Agreement for currency risk
March, 1988	Agreement signed between FEC and the Municipality of Tetouan
July, 1988	Approval of Special Account for Municipality of Tetouan
August, 1989	First FEC disbursement to MUN for construction of 200 dwellings
Dec, 1989	Agreements signed: RDE/Municipality, RDE/FEC
June, 1990	First disbursement of HG-001 loan to FEC of \$8.5 million
August, 1991	Infrastructure work begins in Sites and Services Zone
Jan., 1992	Special Account modified
June, 1992	Evaluation of HG-001 and other USAID shelter activities
August, 1992	FEC restructured by Dahir
May, 1993	Second disbursement to FEC of \$9 million fixed rate promissory notes
1993	Tetouan becomes Tetouan Urban Community, Sidi Al Mandrih & Al-Azhar
mid-1993	Municipality unable to pay ANHI
mid-1994	Municipality unable to continue reimbursements of FEC loan
mid-1994	Special Account modified
Dec, 1995	Tetouan fails to request last tranche of HG-001 loan

Source: Benjelloun, D., (1992), Hessini, C., (1991), Project Papers, ANHI reports, USAID files.

3.3 Modifications to Project Paper

A 1992 evaluation of HG-001 notes the RDE and the FEC disregarded the new institutional structures established within the Tetouan Urban Development Project very early on and reverted to their own infrastructure and funding schedule. Furthermore, the RDE was unable to use HG-001 funds for its water and electric infrastructure within the project area because they could not satisfy USAID's contractor requirements. Thus by 1992, the PDU project was directly managed by the Municipality of Tetouan, with the ANHI acting as its "assistant technique", with direct coordination by USAID. In fact, the ANHI's role increased through time and with the help of USAID consultants the ANHI ostensibly replaced the FEC as financial advisor and cash flow preparer. Nonparticipation of the RDE and the FEC meant not only an increased role for the ANHI, but the Municipality of Tetouan's designated role of administrator in the project was bolstered significantly to project manager. The table below compares agency responsibilities envisioned by the Project Paper with what actually occurred. Note the increase of responsibilities for the ANHI and Municipality that occurred.

Responsibilities for Project Implementation Project Paper/Implementation Experience

	Project Paper: Primary Agency// Secondary Agency	Implementation: Primary Agency// Secondary Agency
Project Preparation		
Land Use Planning	ANHI//DH, MUN	MUN//ANHI
Land Tenure Situation	ANHI//CAD, MUN	MUN//ANHI, CONS
Socioeconomic Analysis	ANHI//DH, CONS	MUN//ANHI, CONS
Feasibility studies	ANHI//DH, CONS	MUN//ANHI, CONS
Preliminary plans	ANHI//DH	MUN//ANHI, CONS
Preliminary Engineering	CONS//ANHI, RDE	ANHI//CON
Final Project and bids	ANHI//RDE	MUN//ANHI
Project Execution		
Registration and titles	CAD//ANHI, MUN	LAND, CAD//MUN
Land expropriation	LAND//ANHI	ANHI//LAND, CAD
Street Surfacing	ANHI, MUN//RDE	MUN//ANHI
Sewage facilities	ANHI, MUN//UT	MUN//ANHI
Water supply	RDE//ANHI	MUN//RDE//ANHI

Power Supply and streetlights	RDE//ANHI	MUN//RDE, ANHI
Environmental protection	MUN, RES//ANHI	MUN
Project Cost Recovery		
off-site infrastructure	MUN//RDE	not done
Streets	ANHI//MUN	MUN
Sewerage facilities	ANHI//MUN	not done
Water supply	ANHI, RDE//MUN	RDE
Power supply & streetlights	ANHI, RDE//MUN	RDE//MUN
Project Operation		
Off-site infrastructure	MUN	not done
Streets	MUN	MUN
Sewerage facilities	MUN	not done
Water supply	RDE	MUN//RDE
Power supply & streetlights	RDE	MUN//RDE
Coordination with other ministries for public facilities	GOV//ANHI, MUN	GOV//ANHI, MUN

Abbreviations:

MUN	Municipality	GOV	Provincial Governor
CAD	Cadastral survey	RDE	(Regie) Utility Agency
RES	Residents	CONS	Consultants
LAND	Land office	OH	Regional Housing Office
AHNI	National Agency to Combat Substandard Housing		

Adapted from PADCO, End of Mission Report Institutional Review HG-001 Tetouan Morocco, 1985.

3.4 Research Phase

While the Tetouan Project institutional framework (discussed above) was being finalized, several baseline studies were carried out by ANHI, which helped to further clarify project objectives and identify related costs. These studies included:

Dec., 1986	Socio-economic study of Dersa-Samsa neighborhoods
mid-1987	Town planning, road system, water & electricity studies
end 1987	Site studies for construction of 200 dwellings in PDU
Nov., 1988	Architectural and engineering studies of sites
Dec., 1989	Preliminary design and engineering studies

3.5 Construction Phase

Following institutional agreements and research, construction in the zone began. Startup was slow, mainly due to the complexity of the project. However, once construction began, it proceeded relatively smoothly. The following table compares Project Paper goals with actual outputs to date. As can be seen, in every category the targets have changed through time, either through realignment of zones, political forces, or lack of funding. The reasons for these changes will be discussed separately by project component below.

Anticipated Project Outputs vs. Actual Outputs

Component	Anticipated Outputs, 1985	Outputs to Date, Jan. 1996
Upgrading	<ol style="list-style-type: none"> 1) primary & secondary infrastructure installed 2) 7,500 property titles registered 3) sale of 3,300 houselots 4) rehouse 270 households 	<ol style="list-style-type: none"> 1) completed in project area 2) 3,100 titles registered 3) 3,862 lots, but none sold 4) 200 houses built, 127 households rehoused*
Sites/Service	<ol style="list-style-type: none"> 1) complete infra. on 130 ha 2) 4,000 low income housing plots 3) sale 10 ha villa sites 4) sale 16.5 ha comm./apt. sites 5) 3.5 ha for public services 	<ol style="list-style-type: none"> 1) size decreased, infra. completed on 60 ha 2) 1,900 low income housing plots 3 all villa sites sold 4) 75% of comm./apt. sites sold 5) Land provided for school and public administration bldgs.
ZAC	-primary infrastructure to 70 ha	-infrastructure 30% complete
Off-Site Infrastructure	<ol style="list-style-type: none"> 1) provide main collector, 2) connections to existing outfalls 3) sewage treatment plant. 	<ol style="list-style-type: none"> 2) connections to outfalls 100% complete.

* Changes in road design reduced the number of units demolished.

Source: Project Paper, p. 26, AHNI documents, and discussions with Mr. M. Chraibi.

3.5.1 Upgrading Zone

The first major construction activity undertaken by the Municipality of Tetouan was the construction of 200 low-income housing units to rehouse inhabitants displaced by demolitions. Following extensive technical studies, construction began in August, 1989, when 5.3 MDH was made available to the Municipality of Tetouan for construction of the 200 dwellings by the FEC. The first FEC disbursement occurred prior to HG-001 loan closing, as required by

the Conditions Precedent. Construction progress was stalled by delays in obtaining FEC prefinancing, and financial difficulties of the original contractor. In February, 1990, the contractor was replaced and construction continued. By December, 1991, all 200 housing units were completed.

Of the families affected by demolitions, many chose to relocate in the same neighborhood instead of moving into one of the 200 units. Also, following the technical studies, efforts were made to configure the least disruptive alignment for infrastructure, so as few people as possible were inconvenienced. For these reasons only 127 families relocated into the 200 housing units. Since 1993 the Municipality has attempted to sell the remaining units to generate revenue to replace uncollected beneficiary payments. To date 11 houses have been sold, but the funds were not placed in the Special Account, pending Ministry of Finance judgement on the legality of selling low-income housing on public domain for profit. (See below.) This issue may take several years to resolve.

As of September, 1993, 95% of the physical construction in the Upgrading zone, including sewerage, roads, potable water, and electricity had been completed. Also, the main thoroughfare through the Dersa-Samsa neighborhood was completed by that time. Work remains in one sector of the zone, but construction has been delayed for two years and it is unlikely this infrastructure work will be completed soon.

Of the 11,000 households benefitting from the Upgrading project, only 2,500 had paid their first downpayment by September, 1995. **The non-payment by beneficiaries in the Upgrading zone is the major problem confronting Tetouan today. Cost recovery has not proceeded as anticipated for three reasons.** First of all, technically the Municipality cannot charge for land or infrastructure servicing on plots in which the title is still in dispute. **Since the Tetouan Urban Development Project began, there has been an extensive effort to identify and register land parcels within the project area.** To date, all individual plots have been identified, but the boundaries of the Municipal territory (parcelle mère) have not been finalized.

The second issue, tied to the first, is that the Municipality awaits the decision of the Direction de la Conservation Foncière in order to have outright title to public lands within the zone in exchange for a symbolic fee. Unfortunately, the Conservateur (judge) of the Direction de la Conservation Foncière has prolonged the ruling because the land in question was originally undeveloped, but is now occupied, leading to legal complications. Tetouan is the only Municipality in Morocco that faces such a situation, and has awaited judgement on this issue for several years. In the meantime, zone inhabitants squatting on these lands have been reluctant to pay for the infrastructure connections, since the titles have not yet been officially registered. While some infrastructure payment has occurred in the Upgrading Zone, the amount is only .5% of the expected total revenue.

The third issue, which has perhaps overshadowed the more technical reasons that cost recovery has not occurred as planned is politics. Throughout the project life, local authorities (both appointed and elected) have stopped cost recovery because of social unrest in Moroccan cities, or with the argument that residents are too poor to pay. The current political leadership in Tetouan has no desire to pursue cost recovery.

3.5.2 Sites and Services Zone

Construction began in the Sites and Service zone in August, 1991, and by 1993 approximately 95% of the physical work was completed. A major slowdown within the Sites and Services zone was the problem of water connections to parcels, due to reservoir capacity and the excessive cost demanded for new off-site development by the RDE. This delayed issuance of construction permits by three years, thus discouraging final payment, and was only resolved with a change in RDE personnel.

In terms of cost recovery, the Sites and Services component is the big success story: \$1.9 million under-budget, while beneficiaries have paid \$2.9 million more than anticipated in the original Project design. With infrastructure in this component nearly complete, expenditures to date are \$6.8 million, with receipts of \$12.4 million, which were used to subsidize the infrastructure construction in the upgrading component. Although this zone has performed better than anticipated, to date only 44% of total expected revenue from beneficiaries has been realized because certain lots have not yet sold, and flexible beneficiary payment terms do not encourage prompt payment.

3.5.3 ZAC Zone

Infrastructure work in the ZAC began in 1991, but there has been little activity on this component for the last four years. Reasons accounting for this are the newness of the concept, the lack of national implementing legislation, and the disinterest in or ignorance of the project by the private sector. There were also problems with eminent domain on projected roadways (the Municipality's inability to pay for right of way). To date the ZAC has received 2% of expected zone revenue, while it should be at approximately 40% at this time. The lack of activity in the ZAC means no cross-subsidization of low-income housing units occurred as anticipated in the Upgrading Zone.

3.5.4 Off-site infrastructure

The off-site infrastructure component also experienced a slow start-up, and the sewage collectors work was not begun until March 1990. The difficulty in assessing the completion level of this component is that the Municipality has treated any off-site work adjacent to one of the other zones as part of that zone, so no separate records have been kept for this component.

In 1992, under 608-0194, an American-Moroccan engineering consortium began work on a Sewerage Master Plan for Tetouan. All environmental assessments and construction was halted awaiting completion of the technical studies for the Sewerage Master Plan, which is now in Phases I and J. By 1993, USAID felt that the \$7.5 million remaining in the HG-001 loan should not be used for the programmed sewer line to the river (Oued Martil), because this solves one environmental problem at the expense of another. USAID felt that "this should not go forward until provision is made for some appropriate level of waste water treatment."

(PIR, 9/93.)

3.6 Cost Recovery

To illustrate the current cost recovery situation, the following table compares mechanisms envisioned in the Project Paper by project component with what actually occurred. As can be seen, only in the Sites and Services zone has the Municipality been successful in collecting for services.

Anticipated Cost Recovery Mechanisms vs. Results to Date

Project Component	Cost Recovery Mechanism	Results to Date
Upgrading 1) land 2) infrastructure 3) housing units	1) lot payments 2) advance & monthly payments 3) monthly payments	1) Partially instituted 2) Partially instituted 3) No; politically unfeasible
Sites/Services	Downpayment	Yes
ZAC	Lump payments for improvements	Partially instituted

Source: HG-001 Project Paper, PIR Reports, ANHI reports.

3.7 Impediments to Project Implementation

The two largest surprises during the Tetouan Urban Development Project were the change of leadership in Tetouan, and a general reform program at the central level, which resulted (among other changes) in the division of the Municipality of Tetouan into three entities. In 1992, after six years of a strong HG-001-oriented political leadership, a new mayor and officials were elected. This led to several months of delays as the city government reorganized and officials became familiar with the project.

Also in 1992, following decentralization policies of the Ministry of the Interior, the Municipality of Tetouan was restructured into three entities: The overarching Tetouan Urban Community was created, which covers both Sidi Al Mandrih and Al-Azhar communes. The division into communes was based on the number of inhabitants per city. The Tetouan Urban Community receives 50% of certain municipal revenues from Sidi Al Mandrih and Al-Azhar communes, such as value added tax and certain infrastructure revenues. In exchange, the Tetouan Urban Community is responsible for solid and liquid waste for Sidi Al Mandrih and Al-Azhar. This division required major changes including reassignment of individuals,

equipment, and even division of furniture among the three units. Luckily the ANHI was able to provide project continuity during this confusing time. It is estimated that the restructuring caused project delays of at least 2 years.

The Commune of Al Azhar chose to inherit the Tetouan Urban Development Project, since the Dersa-Samsa neighborhoods fall within its boundaries. It also chose to inherit the Special Account and its debts, despite recommendations by USAID and the central government not to do so. Under the new structure, Commune Al Azhar receives less than 1/3 of the revenue of the former Municipality of Tetouan, so it is unable to service the debt on pre-existing loans. Since the Municipality of Tetouan never placed the anticipated 77 MDH into the Special Account, but only placed 1.38 MDH due to poor cost recovery and reduction in overall revenues, Commune Al Azhar has encountered severe financial difficulties. As of 1994, Al Azhar has been unable to keep up repayment installments to the FEC.

Repaying the FEC would not be such a major issue if the general governmental reform mentioned above did not eliminate the provision that in the case of repayment problems, the central government would assist cities to repay the FEC. Hence the Tetouan project was designed in one context and implemented in another. Commune Al-Azhar has formally petitioned the Ministries of Finance and Interior for assistance in FEC loan repayment, **arguing that this pilot program should receive special consideration, but to no avail.** The Commune has also formally requested rescheduling of loan repayments to the FEC, but the FEC has declined, contrary to its regulations.

4.0 Current Situation of HG-001 Loan

4.1 HG-001 Loan Transactions

The relationship between the FEC, the Bank of Morocco, and the U.S. lender has worked very well since inception. Two loans have been undertaken to date, in 1991 and 1993, for a total of \$17.5 million. FEC loan repayment has been timely and accurate.

FEC disbursement to the Municipality of Tetouan has been carried out following procedures established in the Project Paper and through the Ministry of Finance's regulations for Special Accounts. One of the Conditions Precedent to the HG-001 loan was the transfer of monies into the Special Account before funds were received from the U.S. investor. As the table on the following page shows, monies were transferred in early 1988 to finance pre-construction studies for the 200 dwellings. Following the first HG-001 loan closing in May 1990, the \$8.5 million was transferred to the Municipality in 4 parts, from June 1990 to November 1992.

For the second installment of \$9 million in the HG-001 loan, monies were transferred from the FEC to the Municipality in one lump sum. Ostensibly this allowed the Municipality more flexibility in payments to contractors, but it has had a serious negative impact. For the first HG-001 loan, the Municipality received funds at intervals, and thus reimburses the FEC according to this staggered delivery. For the second HG-001 loan installment, since the

Municipality received the \$9 million in one lump sum, repayment installments are much larger and the Municipality (now Commune Al Azhar) has been unable to keep up the repayment schedule.

FEC Disbursements to the Municipality of Tetouan

Date	Amount
3/88	23.20 MDH
6/90	25.10 MDH
6/90	2.60 MDH
8/91	3,50 MDH
11/92	26.80 MDH
11/93	64.80 MDH
Total	146 MDH

Source: ANHI, Projet de Développement Urbain Dersa-Samsa à Tetouan : Rapport sur l'Etat d'Avancement du Projet au 31/12/94.

4.2 Special Account Transactions

While the Tetouan Special Account was envisioned as a general fund fed by FEC on an as-need basis, Moroccan law prohibited the transfer of SPA funds within the budgetary line items, requiring all cash calls to be tied directly to contract awards. In January 1992, after serious negotiations between the FEC, DGCL, MOF, and the Municipality, the Ministry of Finance approved a slight modification of accounting procedures. A 1994 Special Account change was prompted by the sale of dwellings within the Upgrading zone. Unfortunately, while the Special Fund is ready to record revenue from sale of public property, the Municipality is awaiting a Ministry of Finance decision on the legality of charging for the sale of low-income housing on public lands.

In the Summer of 1993, the Municipality of Tetouan created a special office in charge of project expense cost recovery. However, the office awaits completion of land titling of upgraded lots in the project area to begin full operation.

4.3 Current Financial Situation of Special Account

4.3.1 Special Account Expenses

As can be seen from the table below, Special Account expenses began slowly in 1989, with approximately \$187,000 in expenses, mostly for studies, then increased to approximately \$5.7 million as major construction got underway in 1991, then leveled off after completion of the 200 dwellings and most of the infrastructure work during 1993. In 1995, less than \$1 million was expended.

SPA Account Expenses, 1989-1995 (in DH)

	Expenses
1989	1,592,000
1990	16,397,940
1991	48,583,110
1992	23533379
1993	68,926,429
1994	40,677,097
1995	8,225,252

Source: ANHI Quarterly Reports, 1989-1995; personal database of Mr. Mohamed Chraibi.

4.3.2 Special Account Revenue

Accurate figures for Special Account Revenue are not available between 1989 and 1991. However, it can safely be assumed that the Special Account received no revenue in 1989-90 when baseline studies were being completed, and only in 1991, with construction starting did revenue begin to stream in. By the end of 1991, the cumulative total project receipts were 26,201,766 DH, or approximately \$3.08 million. These consisted of reimbursements for infrastructure in the Upgrading and Sites and Service zones. Revenue doubled to just over \$6 million in 1992, and has tapered off since. As discussed above, cost recovery is much lower than anticipated in the Project Paper.

**SPA Account Revenue, 1989-1995
(DH)**

	Revenue
1992	51,293,200
1993	10,138,600
1994	14,009,048
1995	8,611,292

Source: ANHI Quarterly Reports, 1989-1995; personal database of Mr. Mohamed Chraibi.

Figures 1 and 2 on the following pages provide Special Account revenue and cost comparisons by component through time. In figure 1, the Tetouan Special Account Revenue is profiled. In any given year, the Sites and Services component is the largest source of revenue, with its largest beneficiary contributions falling in 1992. Figure 2 shows Special Account expenses. It can be seen that 1993 was the most capital-intensive year for all expenses; the Upgrading component was the most cost-intensive part of the project.

Figure 3 compares Special Account revenue and expenses, cumulative to December 31, 1995. The Sites and Services component provided the most revenue, part of which was used to offset expenses in the Upgrading Zone. The Upgrading Zone also used funds from FEC transfers under HG-001 to offset expenses.

4.4 HG-001 Funds Remaining

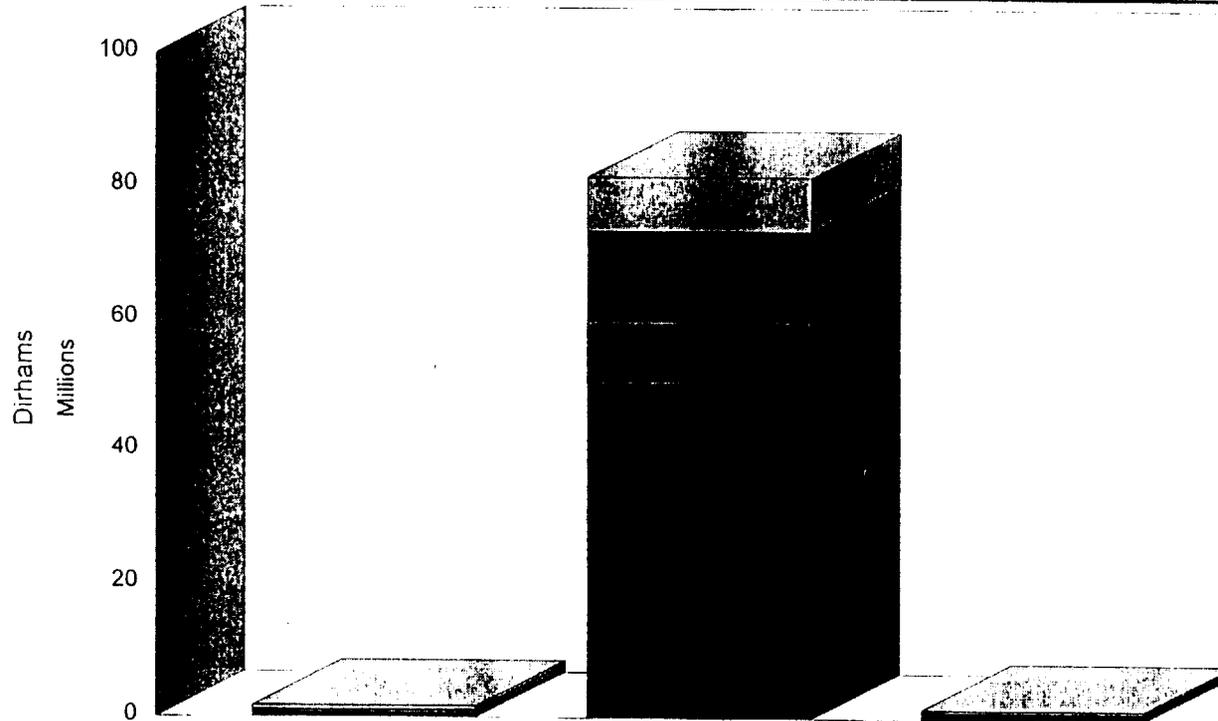
Approximately \$7.5 million dollars remains in the HG-001 account, earmarked for off-site infrastructure improvements, chiefly the waste water treatment plant. In March 1994, the Municipality of Tetouan formally requested loan funds for the final tranche of HG-001 from the FEC, and a loan package was prepared for the FEC Board of Directors. Because of Tetouan's poor repayment record, funds were to be transferred to other FEC projects meeting USAID criteria, with an agreement between the FEC and Tetouan that the city could receive such a loan later in the context of a regional effort with other coastal cities, or in conjunction with the RDE, which is credit worthy.

There also appears to be an internal GOM dispute about the stringency of the FEC loans to Tetouan, since according to rules established by the Ministry of Finance the FEC is not allowed to pass on to local governments the grace period and 30-year length of the HG loan, and Tetouan must repay the FEC within 15 years.

However, funding problems in Tetouan as a whole and political maneuvering make it unlikely

FIGURE 1

TETOUAN SPECIAL ACCOUNT REVENUE 1992 to 1995



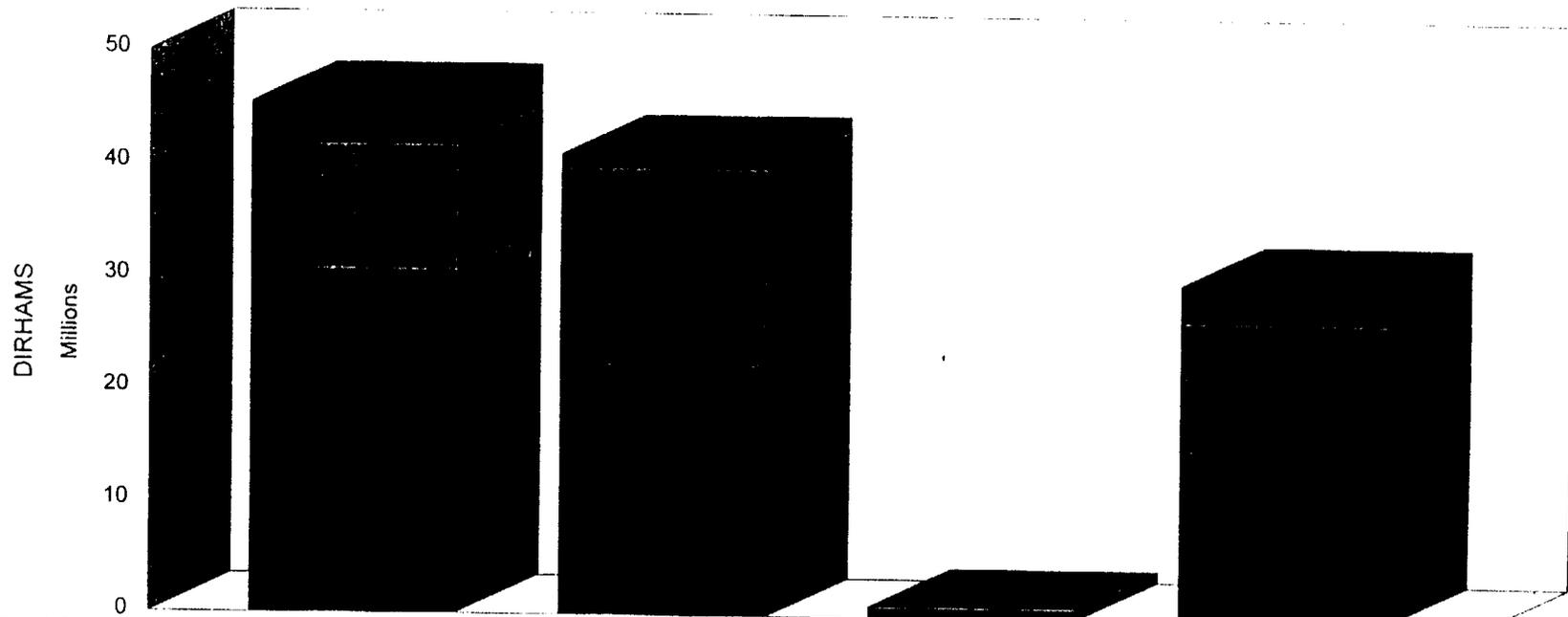
YEAR	UPGRADING	SITES/SVC	ZAC
1992	734320	50404940	1165706
1993	315100	9550750	272750
1994	231409	13702289	75350
1995	516960	8033332	61000

Source: City of Tetouan, M. Chraïbi Database

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FIGURE 2

TETOUAN SPECIAL ACCOUNT EXPENSES
1992 to 1995



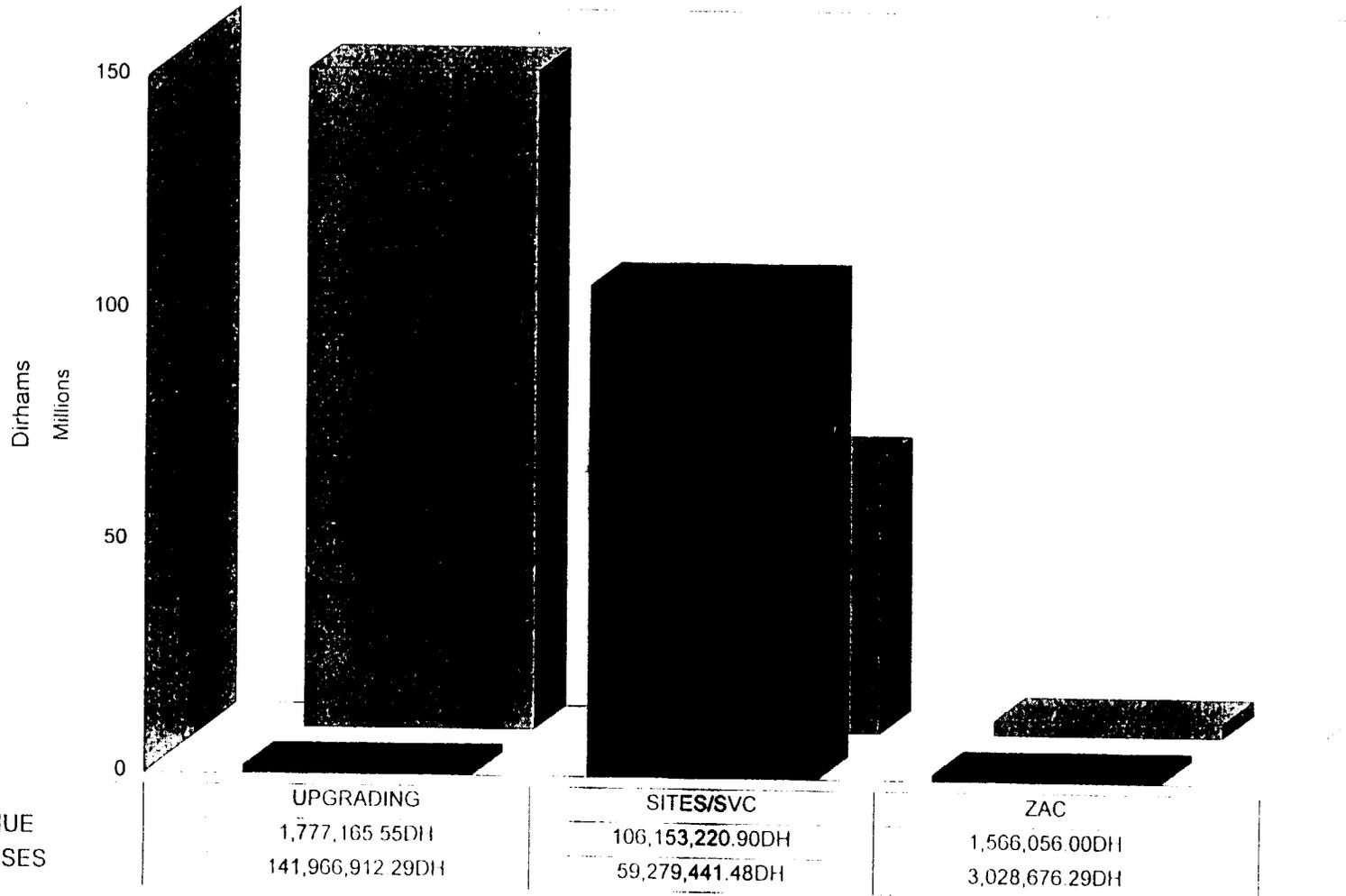
YEAR	UPGRADING	SITES/SVC	ZAC	FEC/ANHTCHARGES
■ 1993	30544767	22291177	890044	15200441
■ 1994	11267679	17571592	188676	11649150
■ 1995	3657092	1228887	0	3257295

Source: Municipality of Tetouan, M. Chraïbi database

FIGURE 3

Special Account Revenue and Expenses

Cumulative Total to Dec. 31, 1995



Source: Municipality of Tetouan, 1996

that the Municipality will go through with the project. At any rate, the required Ministry of Interior approval was not received. It is expected that USAID will deauthorize the remaining funds. The U.S. Office of Management and Budget has ruled that older housing guarantee programs such as this should be closed.

5.0 Conclusion

The ambitious Tetouan Urban Development Project was meant to test a wide range of service and shelter options, in order to streamline the urban development model for use in other cities. To this end the project has very clearly shown what works and what doesn't, so the Government of Morocco is in a much better position to orient future urban development activities. The reasons for success or failure of a given component are complex, and often relate more to political or social reasons than to a flaw in project design. In this respect it is difficult to envision a modified project design which would accomplish all project goals. In some cases implementation was slow, but considering the enormous institutional strengthening that had to take place in order for any earthmoving could begin in Dersa-Semsa, these delays should not be considered excessive.

The impact of the Tetouan Urban Development Project has been enormous, as evidenced by the following developments:

- 1) According to ANHI and FEC reports, 29 cities have neighborhood upgrading efforts **underway or planned, most notable in Meknes and Agadir. While Tetouan's model is the most ambitious and none have incorporated Tetouan's cost recovery system, it has nonetheless had a major impact on urban policy in Morocco.**
- 2) **Tetouan Urban Community and other entities in the region have created a "syndicat de communes"** in conjunction with the RDE to plan future regional sewage needs.
- 3) Following cost recovery problems experienced in the Tetouan project, the FEC no longer allows beneficiary payments as the major component in loan repayment plans.
- 4) USAID HG-003 and HG-004 were designed following lessons learned in the Tetouan pilot project.
- 5) In light of cost recovery challenges in Tetouan, other communities are using methods such as no payment/no sewer hookups, linking sewer payment to the water supply.

It is true that the Municipality's cost recovery for the project is much lower than anticipated, but putting aside financial aspects of the project, on the social level it has been an overwhelming success. Tetouan's densely populated hillsides foster health and environmental problems (such as incidence of water-borne diseases, wastewater run-off, mudslides, etc.). The Tetouan authorities made the decision that infrastructure improvements could not wait for informal neighborhood residents to come around, and the health and environmental situation

has vastly improved.

Much has altered since the HG-001 Project was conceived in the mid-1980's. Political leadership has changed at the local and national level, new procedures have been instituted at the FEC, the Ministries, and within Tetouan itself. No other shelter project in Morocco was as ambitious as the Tetouan Project. An indication of this is that of the \$25 million HG-001 loans available for Tetouan, only \$17.5 was used.

Annex 1

Work Undertaken in the Tetouan Urban Development Project Site (to January, 1995)

Upgrading Zone

Studies Financed by Special Account

Proj. Start Date	Description	Pmt. to Date	Pmt. Remaining
Dec, 88	Pilot study for 200 dwellings	54,700.00	0
Feb, 89	Monitoring of 200 dwellings	55,464.71	4,094.29
Jul, 92	Geotechnical studies/test	645,020.30	0
Jul, 90	Structural monitoring-sewerage, part 1	82,500.00	0
Jul, 90	Structural monitoring-sewerage, part 2	87,500.00	0
Aug, 90	Structural monitoring-sewerage, part 3	119,500.00	0
Jan, 92	Demolition study	349,619.79	0
Jan, 92	Monitoring-secondary sewerage, part 4i	133,623.96	53,876.04
Jan, 92	Monitoring-secondary sewerage, part 5i	10,250.62	0
Jul, 92	Monitoring-secondary sewerage, part 5i	287,564.43	3,090.57
Jan, 92	Monitoring-secondary sewerage, part 7i	240,636.01	14,363.99
Dec, 92	Monitoring-secondary sewerage, part 6i-1	116,000.00	0
Dec, 92	Monitoring-secondary sewerage, part 6i-2	104,743.45	0
Dec, 92	Monitoring-secondary sewerage, part 6i-3	43,181.20	46,918.80

Dec, 92	Monitoring, sewerage, roads, demolition	103,449.10	0
Dec, 92	Tests, monitoring, 6i 1-3	189,094.31	35,200.93
Mar, 93	Monitoring, sewerage, part 9	23,516.42	71,483.58
TOTAL		2,646,364.30	229028.50

Studies Financed by ANHI

Proj. Start Date	Description	Pmt. to Date	Pmt. Remaining
Apr. 86	Socio-eco. study	220000	0
Apr. 86	Socio-eco study	200000	0
Apr, 86	Topographic site work	1069200	0
86	Topographic sitework	99000	0
May,87	Geotechnical study	48990.48	0
Sept, 87	Land use study	2426800	0
Sept, 87	Arch. study-200 dwellings	287665.22	112344.78
July, 87	Structural study	86240	3360
TOTAL		4,437,895.70	115,704.78

Construction Projects

Proj. Start Date	Description	Pmt. to Date	Pmt. Remaining
Jul. 88	Const. 200 dwellings-Taboula	828,641.25	0
Feb, 90	Const. 200 dwellings w/new contractor (1st pmt.)	1,189,765.12	148.88
Feb, 90	200 dwellings-2nd pmt.	17390155	0
	Water connections- 200 dw.	922,654.90	45,984.65
	Elect. connections-200 dw.	1,185,392.34	69,133.18
Jan, 92	DTC 200 dwellings	180,000.00	50000

Oct, 90	Topographic work on parcel 1266	968,256.00	841,744.00
Apr, 90	Structural collectors, part 1	7,051,395.28	624,936.02
Mar, 90	Structural collectors, part 2	7,409,563.65	3,863.25
Aug, 90	Structural collectors, part 3	7,122,237.19	4,932.20
Sep, 91	Interior roads, collectors-4i	16,651,098.89	0
Sep, 91	Interior roads, collectors-5i	28,356,943.60	-544,452.05
Sep, 91	Interior roads, collectors-7i	15,318,344.59	0
May, 92	Public lighting	969,649.48	6,273.56
	Areal photos	268,000.00	422,400.00
Sep, 91	Roads, collectors, Tr. 10	9,103,515.25	5.38
Aug, 92	Roads, collectors, Tr. 6i-1	9,097,367.17	431,180.43
Aug, 92	Roads, collectors, Tr. 6i-2	9,071,083.23	-536,431.83
Aug, 92	Roads, collectors, Tr. 6i-3	4,138,462.13	2,470,815.27
	Areal photos	700,000.00	708,000.00
Sep, 92	Reinforcement of pavement	750,054.30	126,010.70
Nov, 92	Roads, collectors, Tr. 9	1,703,994.30	0
Jan, 93	Public lighting, Tr. 2	282,078.68	534,631.32
Jan, 93	Public lighting, Tr. 3	719,975.21	95,860.09
Jan, 93	Public lighting, Tr. 4	761,815.10	54,843.94
Jan, 93	Gardiennage, 200 dwellings	229,320.00	77,280.00
TOTAL		142,369,762.15	5487158.99

Sites and Services Zone

Monitoring and Studies

Proj. Start Date	Description	Pmt. to Date	Pmt. Remaining
Feb, 90	Land Use Study	475,000.00	47500

Sep, 90	Pilot road, sewage study	450,209.12	69,590.88
May, 90	Topographic study	30,800.00	13,200.00
Jul, 92	Geotechnical tests	235,641.09	96,060.61
Sep, 91	Publicity study-1	290,000.00	0
Sep, 92	Monitoring of electricity network	290,463.81	65,656.14
Sep, 92	Publicity study -2	335,500.00	8,000.00
Sep, 92	Potable water study and monitoring	126,568.49	46,319.98
	Laboratory study of public discharge	194,936.15	0
Oct, 93	Publicity study -3	271,853.05	27,932.40
TOTAL		2,700,971.71	374,260.01

Construction

Proj. Start Date	Description	Pmt. to Date	Pmt. Remaining
Oct, 91	Roads, collectors, Tr. 1	21,874,083.72	153119.28
Oct, 91	Roads, collectors. Tr. 2	14,173,473.76	286,510.24
Jan, 92	Defining boundaries & DTC	82,899.44	578,330.56
Dec, 93	MT network	4,846,427.45	1,319,116.81
Sep, 93	BT network	8,731,517.52	2,226,655.72
Oct, 93	Potable water network	6,587,304.97	4,066,866.38
TOTAL		56,295,706.86	8,630,618.99

ZAC: (no work completed)

Annex 2

Conditions for First Disbursement of HG-001 Loan

The Housing Program Agreement, signed by the Government of Morocco and USAID in 1987, had the following Conditions Precedent to the First Disbursement:

1. A legal opinion of the Secretary General of the Government of Morocco attesting to the validity and enforceability of the Guaranty Agreement, stating that such Agreement has been duly authorized, executed, delivery, and constitutes a legal, valid, and binding obligation of the Kingdom of Morocco;
- 2) Legal opinion of the counsel satisfactory to U.S.A.I.D., attesting to the validity of the Loan Agreement and the Transfer Agency Agreement, and state that such Agreements have been duly authorized, executed, and delivered by the Kingdom of Morocco, and constitute legal, valid, and binding obligations;
- 3) All documents required by the terms of the Loan Agreement to satisfy conditions precedent contained therein;
- 4) A Request and Certificate for Disbursement duly completed and signed, including any **schedules indicating the application of the funds requested.**

Conditions Precedent to Studies and Construction

- 1) Proof that the dirham equivalent of \$400,000, **has been transferred from the HG-002** account into the ANHI account, and has been committed for preliminary project studies;
- 2) Proof that the agreement between the Municipality of Tetouan and the ANHI concerning project management has been signed;
- 3) Copies of all Terms of Reference, confidential cost estimates, and estimated timetable for completion of studies to be financed with HG loan proceeds;
- 4) An updated Program Implementation Plan for any advances related to construction activities.
- 5) Execution of agreement between all of the implementing agencies;
- 6) Supplementary information that USAID may reasonably request.

Annex 3

Moroccan Government Response

The Conditions Precedent were met through transmittal by the FEC to USAID of the following documents on January 3 and 18, 1990:

- 1) General Secretary of the Moroccan Government Legal Consultation concerning the guaranty agreement transmitted by letter from the Ministry of Finance.
 - 2) Letter from the Ministry of Finance concerning the foreign exchange risk coverage.
 - 3) Institutional Agreements between the following agencies defining project authorities and responsibilities:
 - a. FEC--MUN
 - b. FEC-RDE
 - c. MUN-RDE
 - d. MUN-ANHI
 - 4) Organigram for the following offices implementing the program:
 - a. RDE
 - b. FEC
 - c. ANHI
 - d. MUN
 - 5) RDE expenditures through 1989.
 - 6) MUN investment program.
 - 7) RDE investment program.
 - 8) First Year Implementation Plan under FEC's responsibility.
 9. First Year Implementation Plan of PDU Dersa-Samsa.
- Source: Adapted from Hessini, C., Impact Study of Housing and Urban Programs in Morocco, Inventory of Project Results, April 12, 1991.
10. FEC evaluation report of the project.
 11. Certification concerning the creation of a "Comité de Suivi du P.D.U."

12. Notes on the status of land tenure for the project sites.
13. Note on the FEC procedure for disbursement of loans.
14. Copy of the FEC loan contract approving the M'UN project for relocation housing project (200 units).
15. Certificate that 4,000,000 has been transferred from the General Budget to the ANHI's special account.
16. Technical Committee-Construction of 200 units presented to the FEC by the MUN.
16. Credit for the loan no. 4-TET/87 FEC.
18. Approval of an employment program, the DCL.
19. Conditions Precedent Review for H-001, which includes the following Cps:
 - a. Cash flow for entire program;
 - b. Implementation Plan for the first 12 months of activities for the MUN and the RDE;
 - c. Consolidated Implementation and Cash Flow Plan for the MUN-RDE for the first 12 months activities;**
 - d. Certification of the establishment of the local coordination committee;
 - e. Note on the FEC procedure for disbursement of loans.

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