

MOROCCO

608-HG-002

SECOND HOUSING GUARANTY LOAN

PROJECT PAPER

Office of Housing

Agency for International Development

September, 1981

*BEST AVAILABLE COPY*

AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT DATA SHEET</b>		1. TRANSACTION CODE <input checked="" type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____	DOCUMENT CODE 3
2. COUNTRY/ENTITY <b>Morocco</b>		3. PROJECT NUMBER <b>608-HG-002</b>		
4. BUREAU/OFFICE _____		5. PROJECT TITLE (maximum 40 characters) <b>Morocco Low Cost Housing</b>		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <b>09 30 86</b>		7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <b>87</b> B. Quarter <b>4</b> C. Final FY <b>86</b>		

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

A. FUNDING SOURCE	FIRST FY <b>81</b>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	( )	( )	( )	( 387 )	( )	( )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.						
1. <b>HG Loan</b>	<b>17,000</b>		<b>17,000</b>	<b>65,000</b>		<b>65,000</b>
2. _____						
Host Country		<b>4,000</b>	<b>21,000</b>		<b>25,000</b>	<b>25,000</b>
Other Donor(s)						
<b>TOTALS</b>	<b>17,000</b>	<b>4,000</b>	<b>21,000</b>	<b>65,387</b>	<b>25,000</b>	<b>90,387</b>

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 HG
(1)		860	866		17,000		17,000	387	65,000
(2)									
(3)									
(4)									
<b>TOTALS</b>						<b>17,000</b>		<b>387</b>	<b>65,000</b>

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODES

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code \_\_\_\_\_

B. Amount \_\_\_\_\_

13. PROJECT PURPOSE (maximum 480 characters)

1. To develop effectively functioning programs including associated social and economic infrastructure for the : a) petit and moyen bidonville program; b) urban core housing program; c) rural core housing program; and d) upgrading of bidonvilles in Mohammedia, and Tetouan.

2. To strengthen the administrative and financial capacity of Mhat so that it can implement this and similar programs.

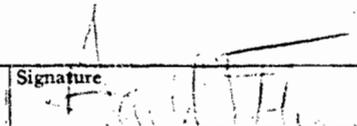
14. SCHEDULED EVALUATIONS

Interim MM YY **02 83** MM YY **02 84** Final MM YY **04 86**

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.)

17. APPROVED BY _____	Signature 	Date Signed MM DD YY <b>08 14 81</b>	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY _____
	Title Director USAID, Morocco		

BEST AVAILABLE COPY

BEST AVAILABLE COPY

KINGDOM OF MOROCCO

TABLE OF ABBREVIATIONS

AID	-	Agency for International Development
ALCB	-	Agence de Lutte Contre les Bidonvilles
BCP	-	Banque Centrale Populaire
CNCA	-	National Agriculture Credit Bank
DRHAT	-	Regional Delegation of MHAT
ERAC	-	Regional Planning and Construction Office
FEC	-	Fonds d'Equipement Communal
FY	-	Fiscal Year
GOM	-	Government of Morocco
HG	-	Housing Guaranty
MHAT	-	Ministry of Housing and Regional Development
PMB	-	Petit et Moyen Bidonville Program
PRE/H	-	Office of Housing (AID)
RHUDO	-	Regional Housing and Urban Development Office (AID)

FISCAL YEAR

January 1 - December 31

CURRENCY EQUIVALENTS\*

Currency Unit	Dirham (DH)
DH 1	US \$ .2083
US \$ 1	DH 4.8

\* As of May 1, 1981 and subject to normal exchange rate fluctuations and administrative changes.

WEIGHTS AND MEASURES

<u>Metric System</u>	<u>U.S. System</u>
1 meter (m)	3.28 feet (ft)
1 kilometer (km)	0.62 miles (mi)
1 hectare (ha)	2.47 acres

TABLE OF CONTENTS

	<u>Page</u>
I. SUMMARY AND RECOMMENDATIONS	
A. Recommendations . . . . .	1
B. The Shelter Sector . . . . .	1
C. Problems in the Shelter Sector . . . . .	2
D. Project Goal and Description . . . . .	3
E. Summary of Findings . . . . .	6
F. Issues Raised by NEAC at PID Review . . . . .	8
II. MOROCCAN SHELTER SITUATION	
A. Economic Overview . . . . .	10
B. The Shelter Sector . . . . .	11
C. Previous HG Experience in Morocco . . . . .	12
D. Other Donor Activity in the Shelter Sector in Morocco . . . . .	13
E. Housing Sector Constraints . . . . .	14
III. DESCRIPTION OF THE PROJECT	
A. Detailed Project Description . . . . .	16
B. Economic Analysis . . . . .	23
C. Social Analysis . . . . .	23
D. Technical Analysis . . . . .	28
E. Administrative Structure . . . . .	31
1. GOM's Administrative Framework for the Project . . . . .	31
2. MHAT's Institutional Capabilities . . . . .	32
3. Local Communes' Financial Posture . . . . .	34
F. Environmental Concerns . . . . .	35
IV. THE FINANCIAL PLAN	
Financial Plan and Cash Flow . . . . .	36
V. IMPLEMENTATION PLAN	
A. Scenario for the Implementation of 608-HG-002 . . . . .	39
B. Implementation Activities Detailed . . . . .	43
C. Coordinating Committees . . . . .	44
D. Administrative Role of Local Banks and Cost Recovery . . . . .	45
E. Local Credit for Utility Hookups . . . . .	46
F. Beneficiary Selection . . . . .	47
G. Technical Support . . . . .	47
H. Time Frame for Implementing the Project . . . . .	47

111

TABLE OF CONTENTS (Cont'd)

	<u>Page</u>
VI. EVALUATION	
A. Monitoring, Approvals and Evaluations . . . . .	49
B. Evaluation Arrangements for Project . . . . .	49
VII. CONDITIONS, COVENANTS AND NEGOTIATING STATUS	
A. Effective Implementation of the Project . . . . .	51
B. Status of Negotiation . . . . .	51

14

1

## I. SUMMARY AND RECOMMENDATIONS

### A. RECOMMENDATIONS

This Project Paper seeks approval for AID participation in a low-cost housing program in Morocco which is estimated to cost \$90 million over a five year period. Of this amount, Housing Guaranties totalling \$65 million will be authorized. Since legislative requirements necessitate that the first tranche be split into two loans, it is recommended that separate initial Housing Guaranty (HG) loans of \$17 million and \$8 million be authorized in FYs 1981 and 1982 respectively. Subsequent authorizations of \$20 million each should then be made in FYs 1983 and 1985 subject to satisfactory progress in project implementation. This project also contemplates development grant (DG) financing of \$387,000 beginning in FY 1983 (subject to the availability of funds) for technical support related to the program. The Government of Morocco (GOM) project beneficiaries, and local communes would contribute the remaining costs of about \$25 million over the five year implementation period.

The first tranche of \$25 million would assist in financing a project of \$34.3 million. The remaining \$9.3 million would be provided by the GOM, project beneficiaries, and local communes.

The HG loans will be authorized for a period of up to 30 years with a grace period for the repayment of principal of up to ten years. The interest rate payable to the U.S. investor shall not exceed the allowable rate of interest prescribed by the AID Administrator pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar type loans.

The Office of Housing (PRE/H) and USAID/Morocco have concluded that the project as set forth below is both sound and feasible. The project meets all statutory criteria.

### B. THE SHELTER SECTOR

Morocco's estimated population of 20 million is growing at a rate of nearly three percent a year. Its urban growth rate is even higher. By the year 2000 it is expected that the number of cities with populations in excess of 100,000 will double to about 30, and that the present 40 percent of Morocco's total population which is urban will have become 60 percent. Furthermore, growth in smaller centers is also increasing rapidly, leading to a dramatic increase in Morocco's housing shortage. In the urban areas alone, it is estimated to be approaching 400,000 units and has led to the proliferation of squatter settlements (bidonvilles), generally bereft of adequate services, but which are now estimated to contain 25 percent of the urban population.

It is agreed within the government that housing is a high priority. During the past three years, however, the GOM has been unable to realize more

than one-third of the investment levels set in the 1978-80 plan. Preliminary Ministry of Housing and Regional Development (MHAT) estimates indicate a 1981-85 planning level of housing investment by the government and its related agencies of more than double the planning level set for the 1978-80 period.

The GOM has made it clear in its 1981-85 plan which is currently under discussion in parliament that both rural housing and bidonville upgrading are high priorities. Bidonville upgrading includes a full range of sizes of bidonvilles: those in the major urban centers of the country with large populations, and those labelled small- and medium-sized bidonvilles (petit and moyen bidonvilles). The rural core housing program is designed to improve the housing stock in rural areas which are experiencing economic growth resulting from GOM and private sector activity. The three other major components of the shelter plan are: (1) the Programme Social consisting of fairly large houses for the moderate- and middle-income market; (2) the Habitat a Bon Marche (HBM) program directed at the same income range but limited to apartments; and (3) the Sahara Provinces program designed to improve shelter infrastructure in the southern provinces.

While 1981-85 planned spending levels are high (\$1.6 billion over the five year period), they represent desired amounts only. MHAT officials have made clear that because of scarcity of GOM resources they do not expect to receive full funding for these programs. Completion of existing commitments will apparently consume most of the funds it can expect to receive from budget allocations. For this reason, MHAT has sought support from the international donor agencies.

AID's participation in the shelter sector in Morocco dates back to 1972 when the GOM first considered the Housing Guaranty Program. The relationship between AID and GOM developed progressively, and in 1978 a Shelter Sector Assessment was completed. A project focusing on the upgrading of Casablanca's oldest and largest bidonville, Ben M'Sik, was subsequently authorized in September 1979. In 1980 the GOM approached AID seeking support for as broad based a program as possible which would include specific components of its new 1981-85 development plan. The preparation of the multi-faceted program recommended in this report was undertaken in light of the findings of an updated Shelter Sector Analysis completed in December 1980.

### C. PROBLEMS IN THE SHELTER SECTOR

GOM shelter sector programs have not been able to meet the housing demands of Morocco's lower income population. Through its across-the-board approach, the proposed HG project will address directly four major shelter sector institutional areas which need strengthening:

#### 1. Construction Standards

GOM construction standards are high and result in houses which those below the median income level cannot afford. The proposed project will reduce the cost of housing solutions.

## 2. Cost Recovery

Cost recovery mechanisms are not yet a GOM policy imperative. The proposed project maximizes cost recovery and is expected to encourage GOM commitment to this policy.

## 3. GOM Financial Commitment

Lack of funds combined with subsidization of some housing costs have limited the number of people who can benefit from GOM shelter programs. The proposed project should reinforce GOM's financial commitment and demonstrate the value of reducing housing subsidies.

## 4. MHAT Administrative Capacity

Lack of institutional capacity has hindered MHAT in carrying out its operations. Technical support to be provided under the proposed project should assist greatly in strengthening MHAT.

This project will be responsive to these constraints while recognizing that it cannot fully resolve them. Nevertheless, the broad range of the proposed project will allow AID to assist the GOM to respond to these four institutional problems. Other more specific shelter problems are described in Part I-D and in subsequent parts.

## D. PROJECT GOAL AND DESCRIPTION

The sector goal is to assist GOM in increasing the availability of low-cost shelter solutions for below median-income families in Morocco. To this end AID and GOM have agreed upon an approach in which the GOM will initiate shelter sector activities on the basis of agreed-upon program criteria. Over a five year period, four programs are to be carried out by MHAT and have been selected for inclusion in the project. Program initiation has been staggered to ensure that the necessary administrative infrastructure is in place and sufficient for each to operate efficiently.

### 1. Petit et Moyen Bidonville (PMB) Program

This program which will be initiated in FY 1982 is to be included in the first tranche and involves upgrading of approximately 120 bidonvilles throughout the country, generally having deplorable living conditions, with between 500 and 5,000 inhabitants. The investment in each will vary, but in general the bidonvilles will be improved with road, water, and sewerage layouts. Where necessary some households will be relocated, but the principle of minimum displacement will be observed. Land tenure will be legalized and community facilities will be provided as appropriate.

The PMB program is expected to begin construction in the fourth quarter of FY 1983. The proposed first tranche of \$9 million will benefit about 27,000 people in ten bidonvilles. The entire program is estimated to cost \$22 million, and there will be 46,000 project beneficiaries in up to 18 bidonvilles. It is expected that a new agency within MHAT called the Agence de Lutte Contre les Bidonvilles (ALCB) will eventually be created and assume responsibility for this program and for all bidonville upgrading.

## 2. Urban Core Housing Program

Core housing which will be initiated in FY 1981 will also be included in the first tranche and will be provided in response to a gap in MHAT programs serving the low-income populations. It will be carried out by MHAT in the large urban centers, and the housing solutions will vary with the income levels of the beneficiaries. It will be a program of infrastructure and various combinations of core houses.

The Urban Core Housing program is expected to begin construction in the third quarter of FY 1982. The proposed first tranche of \$5 million will benefit about 6,500 people in five cities. The total project will cost \$12 million, and there will be 11,000 project beneficiaries in up to 9 cities.

## 3. Rural Core Housing Program

To be initiated in mid-FY 1982 small groups of houses will be constructed under MHAT auspices in specially designated rural centers with demonstrated need. Project beneficiaries will be primarily lower level civil servants, tradesmen, and artisans and, as with the urban core housing program, the housing solutions will vary with the income levels of the beneficiaries. The Rural Core Housing program is expected to begin construction in the fourth quarter of FY 1983. The proposed first tranche of \$7 million will benefit about 9,000 people in 27 rural centers. The total project is estimated to cost \$18 million, and there will be some 16,000 project beneficiaries in as many as 47 neighborhoods.

## 4. Mohammedia and Tetouan

An integral part of the 1981-85 plan involves the upgrading of large urban bidonvilles. Those in the cities of Mohammedia and Tetouan are among the largest. The Mohammedia bidonville houses a quarter of the town's population of 100,000 at an average density of 939 persons per hectare. There is virtually no infrastructure, and living conditions are deplorable. The bidonville in Tetouan contains about 60,000 people at an average density of over 850 persons per hectare. Because of its location virtually above the main part of town, its untreated wastes cascade into the center of town creating a serious health hazard. It is assumed that the ALCB will eventually assume responsibility for this program also. To be initiated in FY 1983 (subject to satisfactory progress), this program will be financed by the authorizations proposed for FYs 1983 and 1985. The total amount for upgrading

these two bidonvilles is currently estimated to be \$32 million. This figure is subject to revision based on further study. There will be about 80,000 beneficiaries.

#### 5. Technical Support

A substantial program of technical support is proposed to enable MHAT to improve its administrative capability through the provision of a number of senior technical and management personnel to assist in the administration of the project and in the training of personnel, both in MHAT/Rabat and also in the Regional Delegations of MHAT (DRHATs). It will also include numerous other training opportunities as well as architectural and engineering services and the financing of urgently needed studies. In this way MHAT will gain the capability of implementing this and similar projects in the future. About \$6 million (of which \$4 million will be authorized in the first tranche) will be provided in HG loan financing, and AID plans to provide \$387,000 in DG financing beginning in FY 1983 (subject to the availability of funds). (See Annex VIII.)

#### 6. Beneficiaries

The target group of the various components of this project is the poorest half of the population. Most bidonville residents have income which place them below the 30th percentile of the urban income distribution. They are employed in the small scale artisanal, commercial and service sectors, as well as in the modern sectors as salaried workers and in the lower grades of the civil service. The poorest of these households tend to be illiterate, older migrants with limited skills.

The rural component of this project will affect both moderate income persons who are required to staff and develop social and administrative services in rural centers, as well as local residents of these centers. The rural population is characterized by high levels of illiteracy, limited access to medical services, and low incomes outside the irrigated zones. It is expected that the majority of the local residents who will be provided with housing will be employed in the secondary and tertiary sectors which are likely to grow in importance within these centers.

#### 7. Outputs

The proposed project will provide upgraded infrastructure services, community facilities, and core houses. Details are set forth in Part III-A, and a summary table follows (figures in parenthesis refer to beneficiaries under the first tranche of \$25 million):

Institutional outputs will include the creation of divisions within MHAT to carry out the urban core and rural housing programs described herein and a strengthening of the division responsible for the PMB program. MHAT will be strengthened administratively as the substantial technical support to be provided contributes to its capacity to carry out the proposed project and others similar to it.

From an economic point of view, the labor intensive aspects of much of the proposed construction activities in the project will provide numerous skilled and unskilled jobs. While it is impossible to specify the number precisely, it is expected that the residents of the project areas, both urban and rural, would be the major beneficiaries. Furthermore, the multiplier effect of investment in housing is high and will benefit the economy accordingly.

## 8. Inputs

As is shown in detail in Part III-A, the project's total cost is estimated to be \$90 million, of which \$65 million will be financed by three HG loans (initial authorizations of \$17 million in FY 1981 and \$8 million in FY 1982, and two of \$20 million each to be authorized in FYs 1983 and 1985 respectively subject to satisfactory progress of the project). GOM will finance \$16.5 million, \$6.9 million by beneficiaries, and \$1.3 million by local communes for community facilities and capital equipment needed to provide community services. Long-term technical support of about \$6 million will be a part of the HG loans. Technical support of \$4 million will be provided under the first tranche of \$25 million (see Annex VIII). A development grant of \$387,000 will also be provided beginning in FY 1983 (subject to the availability of funds).

Disbursement of the HG loan will be on the basis of 70 percent of the total cost of the bidonville, urban, and rural programs, with the remaining 30 percent provided by the GOM, beneficiaries, and communes. HG loan financing will cover 100 percent of all technical support.

## E. SUMMARY OF FINDINGS

### 1. Social Analysis

Implementation of the various project components is expected to have a positive social impact by bringing about improvements which are socially accepted and meet expressed needs. Additionally, the impact of the project is to sustain a major effort by the GOM to respond to the housing needs of urban low-income groups. The project will provide these beneficiaries with improved housing, infrastructure, and community facilities. Since there is evidence to suggest that living conditions in the urban areas are not solely a function of low-income levels but also the result of insecurity of tenure, land titles will be regularized.

The project will deal as well with the problems of housing among the population located in rural centers where intervention has hitherto been minimal. The project's rural components could provide GOM with an effective and practical approach to providing affordable and appropriate housing solutions to a segment of the population which has not been able to benefit appreciably from economic growth and development and which has only recently begun to receive attention on a more sustained basis as rural development has become a priority for all GOM institutions.

## 2. Technical Analysis

Criteria for site selection, planning and architectural standards, and infrastructure levels were mutually developed and agreed upon. While they were developed primarily for the PMB program, similar criteria for the urban and rural programs will be derived from them. These criteria take into account both the technical aspects and MHAT's administrative capabilities in carrying out the programs and are discussed in detail in Part III-B. All construction will be structurally sound, and the building materials will be appropriate.

Due to the variety of programs and sites, it is not possible to describe the typical infrastructure to be available. Nevertheless, sites will have available all or most of the following: storm and sanitary sewerage systems, potable water, a variety of surfaced and unsurfaced paths and roads, electricity, and garbage collection.

## 3. Administrative Analysis

MHAT administers all GOM shelter programs. It is represented throughout Morocco by twenty-four strategically placed regional offices (DRHATs). The majority are understaffed and need increased logistical support to meet their mandate fully of housing, city planning and environmental concerns. They will initiate and implement all project activities. MHAT and DRHATs will have to coordinate their activities with those of other agencies, if the project is to go ahead smoothly. The closest cooperation with local communes will also be essential to ensure their support and assistance during project implementation.

The strengthening of MHAT and DRHATs' staff with administrators, financial analysts, and engineers is essential if the program is to succeed. It has been agreed that a substantial addition of staff will be made during the 1981-85 plan period. This expansion combined with the technical support to be provided will ensure that the project is administratively sound.

## 4. Economic and Financial Analysis

Comparatively well endowed with natural resources, Morocco is in the middle tier of developing countries. The proposed Housing Guaranty loan would assist Morocco in one of its highest priorities, to lengthen the maturities of

its existing debt. The proposed loan would increase the amount of annual debt servicing by only about one percent, which represents about .03 percent of 1979 exports of goods and services.

F. ISSUES RAISED BY NEAC AT PID REVIEW

While GOM intervention in the shelter sector has included a wide range of different low-cost housing programs, there has unfortunately been little continuity. It has thus not built up an effective operating structure based upon the experience gained from these programs which have generally been carried out on an ad hoc basis without a guiding policy framework. The purpose of this project is to build on this experience by creating organizational units within MHAT to implement effective programs for low-income housing throughout the country. In this way previously successful programs combined with new programs will become innovative and integral parts of GOM policy and operations.

During its review of the PID, NEAC raised a number of issues which it requested the PP team to address. In general, NEAC's major concerns related to: (a) definition of project components, (b) institutional identification and capacity, (c) technical assistance requirements, (d) cost recovery/affordability, and (e) phased development of project components.

The PP team carefully considered these issues in as great detail as possible. In some cases the project was shaped specifically to respond to these concerns. Thus, the total project amount has been reduced through increasing the estimated period of implementation, and substantial technical support has been included.

The question of institutional capacity is crucial to this project. The first year-and-a-half will be taken up largely with building an institutional framework capable of managing the project together with carrying out necessary studies and further program definition. It is during this period that the very substantial technical support component will be critical.

In response to the specific concerns raised by NEAC at the PID review:

1. The definition of project components was refined and agreed-upon with the Moroccan authorities at the time of the project paper team's visit. It is discussed in detail in part III-A.

2. The question of institutional identification and capacity is discussed at length in Part III-E. Considerable technical support is being provided under the project to assist in administrative strengthening so that the project can be carried out efficiently.

3. Technical assistance and support is essential to the success of the project. Discussed in detail in Part III-A, such support is essential to both the administrative and technical aspects of the project.

4. The affordability of housing solutions and cost recovery is basic to the replicability of these programs. It is discussed throughout the paper but particularly in Parts II-D, III-C and D, and IV.

5. The lack of administrative infrastructure necessitates phasing the implementation of various programs in order that each can operate efficiently. The project will begin with the PMB and urban core housing programs immediately then, as improvements are made in the management of these programs, go on to the rural program a year later, and finally begin the upgrading of Mohammedia and Tetouan under the authorization proposed in FY 1983. This is discussed more fully in Part V.

## II. MOROCCAN SHELTER SITUATION

### A. ECONOMIC OVERVIEW<sup>1</sup>

Morocco's estimated 1979 GNP per capita was \$740. Comparatively well endowed with natural resources, it contains the world's largest phosphate reserves which are the source of almost 40 percent of its merchandise exports. Sizable quantities of uranium ore and oil shale could become profitable to exploit in the near future. Its agricultural sector generates about 35 percent of exports, most of which come from large irrigation projects in the northwest plains. In addition, its geographical location has helped in the development of international trade, tourism and labor migration to the EEC countries.

In the mid-1970s the Government of Morocco (GOM) embarked upon an ambitious investment program which led to rapid growth but which also brought about a considerable increase in imported goods and services. At the same time, demand for Morocco's exports of phosphates and agricultural products weakened considerably, leading to financial disequilibrium and an increasingly large deficit in the balance of payments' current account. In 1978 the GOM was forced to introduce an austerity program characterized by substantial reductions in investment and import levels. This resulted in a considerable drop on the rate of growth.

Morocco is only now emerging from this period, and the recently approved 1981-85 development plan will inaugurate a period of structural adjustment to assist in overcoming the weaknesses which led to the current situation. It is not clear, however, that the conditions which gave rise to the current account deficit have completely disappeared. It is difficult to assess the impact of the military activity that has been taking place in the south since 1975, but analysts agree that it must be substantial. Furthermore, the weakening of economic activity in Europe has affected the earnings of Moroccan workers resident there. The unexpectedly large increases in petroleum prices over the past few years will also make this adjustment more difficult.

The major policy adjustments required to implement a larger, more selective and more balanced investment program would entail closely coordinated policies with respect to agriculture, energy, export priorities, savings and investment criteria. Within the framework of the 1981-85 development plan, the GOM hopes to achieve these objectives.

The new plan has as one of its highest priorities the solution of social problems and the provision of basic needs to the poor. While social expenditures have been high in recent years, their effectiveness has been questioned primarily because of institutional weaknesses and the lack of a clear definition of the target group and the types of services to be provided. The new strategy will emphasize needs of those in the rural areas while continuing

---

<sup>1</sup> This section is based on information supplied by the World Bank.

appropriate assistance to towns. In general, the plan reflects the GOM's increasing awareness of social issues and its intention to encourage a more equitable income distribution to ensure broader political support throughout the country. Further information on Morocco's economic situation can be found in Annex V.

## B. THE SHELTER SECTOR

In order to assist in the solution of social problems and in the provision of basic needs, the government has agreed that housing will be of high priority. With its present high growth, and in the absence of housing alternatives to meet the needs of the largely poor population, Morocco's housing shortage has increased and will continue to increase dramatically. Unsatisfied demand is presently estimated by the Ministry of Housing and Regional Development (MHAT) at 722,800 units with over half of these (400,000 units) reflecting the needs of the urban poor. Taking into account the increase in that segment of the population, MHAT estimates that 86,000 additional units will be needed for new households over the next five years, or the equivalent of 17,200 units per year.

In the past, the need for housing among the low-income population was met largely by the rental of rooms in medinas resulting in extreme overcrowding. Spillover was directed to squatter settlements in peripheral zones where both shanty-type construction (bidonvilles which are now estimated to contain 25 percent of the urban population) and the clandestine construction of units in durable materials can be found. Many of these spontaneous settlements in the large urban centers date back 30 to 40 years and have consequently been absorbed within the city limits even if they remain in contravention of existing land-use ordinances.

In the absence of an adequate supply of land and production of housing affordable by low-income groups, a clandestine housing production market has grown on undeveloped land. It is estimated that the informal housing market produces an average of 11,000 units per year. This rate of production satisfies only 60 percent of the demand for housing arising from new household formation among the low-income population, and does not begin to address the existing deficit which results in doubling up and overcrowding, in both aged structures and spontaneous settlements. Lack of access to basic utilities by large portions of the low-income population constitutes an acute problem in most Moroccan cities, creating serious health hazards.

In order to begin to remedy this situation, MHAT estimates that a 1981-85 planning level of housing investment by the government and its related agencies of \$322 million annually for a total of more than \$1.6 billion will be needed. This is more than double the prorated planning level set for the 1978-80 period. Furthermore, available data suggest that the GOM was unable to realize more than one-third of the investment levels set for that period. Actual investment under the new plan will therefore undoubtedly be lower. MHAT officials have also made clear that while proposed 1981-85 spending levels are high, they represent desired amounts only. They expect actual

budget resources to remain small and as a result have asked for AID and World Bank assistance.

The GOM has made it clear that the bidonville upgrading program has a high priority for the near term. This includes both sizes of bidonvilles: those in the major urban centers of the country with large populations, and those labelled small- and medium-sized bidonvilles (petit and moyen bidonvilles). While MHAT will carry out this program initiative, the government is also considering the eventual creation of a new agency, l'Agence de Lutte Contre les Bidonvilles (ALCB).

Equally important in priority is the market town (rural) housing program which is designed to improve the housing stock in rural areas which are experiencing economic growth resulting from GOM and private sector activity. The three other major components of the shelter plan are: (1) the Programme Social which provides moderate- to mid-income housing; (2) the Habitat a Bon Marche (HBM) program directed at the same income range but limited to apartments; and (3) the Sahara Provinces program designed to improve shelter infrastructure in the southern provinces.

Analysis of these programs suggest that a gap exists between the bidonville program designed for the very poor, and the Programme Social which aims at families with monthly incomes in the \$400-450 range, well above the estimated median for urban families of around \$250. Therefore, if cost savings can be made through better design and materials choices and the price brought down, an urban core housing program will fill an important gap in GOM program offerings.

### C. PREVIOUS HG EXPERIENCE IN MOROCCO

Aid's participation in the shelter sector in Morocco dates back to 1972 when the GOM sought a Housing Guaranty program loan for the development of about 4,000 homes of 36 m<sup>2</sup> each. While AID formally authorized a HG loan for this project in 1973, the GOM later decided to finance it from other sources.

In 1978, the GOM again sought AID assistance in support of its newly adopted policy of upgrading bidonvilles, the continued growth of which had become one of the major problems of the recently created Ministry of Housing. A Shelter Sector Assessment was completed in October 1978, and a second project focusing on the upgrading of Casablanca's largest and oldest bidonville, Ben M'Sik, was then approved by AID in September 1979 at a total cost of \$33.266 million: financed by a \$25 million HG loan, \$7.666 million from the GOM, and \$600,000 DG. Though the GOM has not yet borrowed the \$25 million HG loan, the project nonetheless has proceeded, albeit slowly, with funds advanced by the Government (See Supplementary Paper IV: Ben M'Sik evaluation).

MHAT is responsible for assuring that the project develops in accordance with GOM and AID shelter sector policies, but direct responsibilities for design and implementation rest with the Casablanca Regional Office of MHAT which has created a special unit dealing solely with the project. The project

contains four discrete sub-projects: upgrading of the physical conditions of the 9,900 homes in the bidonville itself, the creation of 1,200 core houses adjacent to the bidonville, the creation of a nearby economic activity zone, and the development of community facilities and programs aimed at job training and skills development for the bidonvilles residents.

Originally projected to be completed by the end of 1982, it is now at least a full year behind schedule. This is in part caused by the difficulty AID has had in providing promised technical assistance to the project. The project advisor has only just assumed his position. The principal reason for the delay, however, is the slow development of GOM's institutional capacity to carry out a project as complex as this. Specifically, problems have involved the staffing of the administrative support for the project team, the GOM approval process of plans and contract awards, the procurement of outside technical assistance, and the growth of an organizational framework necessary to assure coordination amongst various project activities. All have taken longer than originally foreseen. Those components which had advanced more rapidly and for which the team is more professionally equipped are those focusing on the physical design activities. The development of the socio-economic program has been slower and more difficult. Nonetheless, it is important to note that the GOM has committed itself in the project to the principle of cost recovery and to the development of inexpensive housing solutions.

In sum, though GOM shelter policies have evolved during the past few years to coincide more nearly with AID policies, execution of the first HG project has been more time consuming and difficult than had been foreseen by both AID and the GOM.

#### D. OTHER DONOR ACTIVITY IN THE SHELTER SECTOR IN MOROCCO

In March 1978 the World Bank lent the GOM \$18 million for the Rabat Urban Development Project. It addresses the problem of urban poverty in three major squatter areas with a total population of about 60,000. The project includes the upgrading of infrastructure and social services, the development of serviced sites for those displaced by project construction works, employment generation through serviced land for small-scale industries, vocational training and credit. Although the project has suffered considerable delays due to lack of staff and inadequate coordination among the executing agencies, the Bank hopes these problems have been resolved and that work will proceed more satisfactorily.

Early in 1981, the Bank made a second loan for urban development to support GOM efforts to provide shelter, basic services and employment to low income families in Meknes and Kenitra. It involves upgrading squatter settlements and the provision of affordable serviced plots, credit for self-help housing improvement, community facilities, serviced land for business activities, and improved municipal services. It also includes technical assistance to improve municipal services, and to finance needed studies for the preparation of new urban development projects. This loan is not yet effective and construction has not begun.

Although the government has requested World Bank assistance in upgrading three additional bidonvilles (Khouribga, Sale, and Settat), the Bank has indicated that it wishes to carry out a sector survey before deciding on its next urban intervention. In general, the Bank has pursued policies similar to AID's Morocco. In particular, it has sought the GOM's commitment to the principal of cost recovery and to the lowering of construction standards so that housing will be affordable to the poorest. The Bank has also sought increased MHAT capability through the use of project units within the Ministry to carry out the World Bank's projects.

These efforts complement AID's Ben M'Sik project as well as the proposed project. No other source of capital assistance is currently available to GOM for the shelter sector.

#### E. HOUSING SECTOR CONSTRAINTS

GOM shelter sector programs have clearly not been able to meet the housing demands of Morocco's lower income population. (See the recent Shelter Sector Assessment on file in the Office of Housing). Through its across-the-board approach, the proposed project will address directly the four major institutional areas where the shelter sector needs strengthening:

##### 1. Construction Standards

GOM construction standards are quite high and result in expensive houses which those below the median income level cannot afford without recourse to subsidies. The standards to be followed in the proposed project will reduce the cost of housing solutions and lead to new GOM initiatives, in particular in the urban core housing and rural core housing programs. As a result, many people previously unable to own a home will now be able to do so.

##### 2. Cost Recovery

While cost recovery mechanisms are firmly rooted in those shelter sector projects financed by AID and the World Bank, they are not yet a GOM policy imperative. The proposed program maximizes cost recovery and is expected to encourage GOM commitment to this policy.

##### 3. GOM Financial Commitment

Lack of funds combined with subsidization of some housing costs have limited the number of people who can benefit from GOM shelter programs. The proposed project which maximizes cost recovery together with the new priority accorded low-cost housing in the 1981-85 plan should reinforce GOM's financial commitment.

#### 4. MHAT Administrative Capacity

Lack of institutional capacity has long hindered MHAT in its efficient operation and has led to its not meeting its planned investment goals. This problem is discussed at length in Part IV, Implementation Arrangements. Technical support to be provided under the loan will assist greatly in strengthening MHAT capabilities.

This project will attempt to be responsive to these constraints while recognizing that it cannot fully resolve them. In addition it will address several lesser issues which prior AID and World Bank experience has shown to be important to project success:

1. Early efforts at public information regarding the project will be carried out so that local representatives will be able to receive adequate feedback from their constituents.
2. The local financial institutions will also develop a savings campaign which will sensitize the potential beneficiaries about the financial obligations involved. Early warning will help beneficiaries set aside funds for down payments.
3. The technical support component of the program will provide substantive bidonville orientation to the young professionals who are likely to assume major project responsibilities. It will also lead to improved MHAT administrative capability to carry out the program.
4. The dispersed nature of the project argues for a decentralized management approach which will permit local people to focus on the issues directly affecting their community.
5. The civiliste system in which returning students spend two years working for the government can offer training opportunities to young Moroccans who will become experienced professionals before leaving the government. To guide them there must be a core staff of permanent MHAT officials for whom the project programs are their sole professional activity. As it is a high priority for the 1981-85 plan, a commensurate number of MHAT staff members will be assigned to this work and placed in the field where they are needed.

### III. DESCRIPTION OF THE PROJECT

#### A. DETAILED PROJECT DESCRIPTION

##### 1. Background

AID's participation in the shelter sector in Morocco dates back to 1972 when the GOM first considered the Housing Guaranty program. The relationship between AID and GOM developed progressively, and in 1978 a Shelter Sector Assessment was completed. A project focusing on the upgrading of Casablanca's oldest and largest bidonville, Ben M'Sik, was authorized in September 1979. In 1980 the GOM approached AID seeking support for as broad based a project as possible which would include specific components of its 1981-85 development plan.

##### 2. Project Goal and Purposes

The sector goal is to assist the GOM to improve shelter and community conditions for below-median income families throughout Morocco and to achieve important improvements in shelter sector institutions and practices. To this end AID and GOM have agreed upon an approach in which GOM will initiate shelter sector activities on the basis of program criteria which have been developed and agreed upon by AID and GOM. As described in more detail below, project purposes include the development and smooth functioning of four programs: a small- and medium-sized bidonville program, a large bidonville program, an urban core housing program, and a rural core housing program, together with functioning social and economic infrastructure. To further these programs, the project also proposes to improve MHAT administrative capabilities and to reinforce the principle of cost recovery from beneficiaries.

##### 3. Petit et Moyen Bidonville (PMB) Program

Of the initial programs proposed, the PMB program is the only one which is currently underway in substantial measure. Its purpose is to address the problems of small- and medium-sized bidonvilles throughout Morocco with between 500 and 5,000 inhabitants. These problems include lack of potable water, sewerage systems, electricity, and roads; generally unhealthy environments, limited access to community facilities, lack of security of tenure, overcrowding, and dangerous sites. MHAT has identified at least 120 bidonvilles of this type.

The degree of specific action in each bidonville will vary, but in general each will be improved to facilitate road, water, and sewerage construction. Where necessary, dedensification will be undertaken with relocation on adjoining land where possible. While the principle of minimum possible displacement will be observed, the precariousness of living conditions at some sites suggests that up to 25 percent of the population may have

to be relocated. Since insecurity of tenure is generally considered to be only just below low income levels as a cause of miserable living conditions in bidonvilles, land titles will also be regularized.

Criteria with which the bidonvilles can be ranked in priority order for improvement were agreed upon at the time of the project paper team's visit (see Technical Analysis, Criteria for Site Selection). MHAT will rank each bidonville and then proceed with socio-economic surveys to determine precise population characteristics and the kind of improvement activity most needed. Along with further action by local officials, this would also serve to advise the inhabitants of the planned upgrading and to encourage their participation.

Housing solutions for relocated residents will also vary in stages from equipped lots to core units according to the individual's income level and demand for shelter. Infrastructure levels will vary but possible individual sewer and water hookups are the minimal standards (see Technical Analysis, Level of Infrastructure). Solutions will vary between DH 5,000 and 15,000 in the program and will be affordable by bidonville residents. Community facilities will be constructed as needed. Funding will be by the communes but would be eligible for reimbursement under the HG loan.

Of the first tranche of \$25 million, \$9 million would be set aside for the PMB program affecting 27,000 people in ten bidonvilles. Of the total project, \$22 million dollars would be set aside for the PMB program. If a down payment proved unduly burdensome financially for any beneficiary, this requirement would be waived and a larger loan would be authorized if his financial situation so allowed. It is anticipated that at this investment level 35,000 people will benefit from upgrading and 11,600 from resettlement, representing 3,870 and 1,290 households respectively. Eighteen bidonvilles will be upgraded covering approximately 33.5 hectares.

#### 4. Urban Core Housing Program

There is at present no housing program suitable for below median income households amongst GOM housing programs. A major purpose of the proposed project is the establishment of a program which will be carried out by the various Regional Delegations of MHAT (DRHATs), and the creation of a new urban core housing unit within MHAT which will provide central direction to those who will implement the program and will monitor their activities.

The recent Shelter Sector Analysis noted the gap in housing programs which exists between the bidonville upgrading program and those for moderate income levels. While the need for housing within the cost range of core units is clear, an urban housing demand study will be carried out in major cities among the socio-economic category of the population whose incomes range from DH 600 to 1,000 (approximately equal to the estimated 1981 urban median household income).

This level of housing will be designed for those coming from saturated medinas and other crowded established projects. These people either end up in bidonvilles or remain in less than adequate shelters due to the high cost of

the level of available housing. The housing solutions will vary due to the income levels of beneficiaries and shelter demand ratios, but it will be a program of infrastructure and various combinations of core houses which are expected to range between DH 13,000 and 25,000.

Due also to the variety of site characteristics, climate conditions, regionalism, ethnic differences and building traditions, the idea of designing a typical housing solution would be inappropriate for most sites. Since each solution must be site specific it is therefore best left to the various DRHATs. Nevertheless, a program approach can be taken that will provide guidelines that can be developed into site specific solutions.

Detailed guidelines have been prepared. They are not to be viewed as definitive but rather as a flexible base to be adapted to the specific site. They include but are not limited to: site planning; zoning and codes; building design; building construction; and energy conservation.

Because MHAT has been extensively involved in the development of housing projects, this program which aims at a lower income population is not expected to present significant problems. Of the first tranche, \$5 million has been set aside for urban housing affecting 6,500 people in five cities. Of the total project, \$12 million will be set aside for the urban core housing program. It is anticipated that at this level of investment 10,800 people will benefit from the program representing 1,500 households (units) in 9 neighborhoods covering 20.4 hectares.

#### 5. Rural Core Housing Program

Up to the present time GOM assistance for shelter in rural centers has been quite limited despite the fact that MHAT estimates that 60 percent of the rural housing is inadequate and unsanitary. The present plan foresees intervention in 300 rural chefs lieux (county seats) with two types of action: completed units and core units. While the plan intends that beneficiaries will be those engaged in agriculture in the irrigated zones where incomes are higher, the majority of the beneficiaries in other rural areas (where 80 percent of the rural population lives) will be civil servants, tradesmen and artisans. The objective is to reinforce those rural service market centers which show a capacity for development and where adequate socio-economic infrastructure already exists. To do this MHAT and the DRHATs will design, following appropriate studies, small housing developments which will contain core houses (in a variety of combination of standards) suitable for below median income households.

The MHAT program is targeted to eventually affect about 100,000 people in rural centers, and MHAT feels that the need for building housing in rural areas is even greater than present or proposed levels.

Analysis of existing income data and costs suggests that the housing solutions originally proposed in MHAT's five year plan are beyond the reach of the vast majority of the rural population. Accordingly standards for project housing solutions will be scaled down to a level similar to those being proposed

in the PMB and urban programs and will cost between DH 10,000 and 25,000. It has been agreed that a demand study is to be undertaken in advance of actual construction which will permit more appropriate designs.

For reasons of simplicity, the demand study will be limited to the Tensift region for which up-to-date data exist. This region accounts for 21 percent of the rural population and has a representative mix of rural settlements and zones (irrigated, rainfed, and mountainous).

This study will provide a set of operational criteria for programming an appropriate range of housing interventions which are affordable by the target beneficiaries. It will also provide a socio-economic profile of residents in a total of fifty rural centers and therefore fill the gap in determining what are the appropriate ranges of housing interventions in rural areas.

The preliminary guidelines for selection of rural centers to be submitted to AID for HG funding (which may be further refined pending the results of the demand study) include but are not limited to the following:

1. Rural chef lieu with social and physical services, productive and commercial activity. An inventory of existing services and enterprises should be provided.
2. A positive growth rate of at least three percent.
3. Access to major national road networks.
4. Existence of a development plan for the rural center.
5. Existence of land owned by MHAT or the commune for housing construction.

Brief socio-economic surveys will be undertaken in each of the centers selected to provide a specific profile of population characteristics and demand in order to determine the appropriate type of solution.

Seven million dollars has been set aside from the first tranche which will benefit 9,000 people in 27 rural centers. Of the whole project, \$18 million will be set aside for the rural core housing program. It is anticipated that at this level of investment 16,200 people will benefit from the program, representing 2,300 households (units) in 47 neighborhoods covering 30.5 hectares.

6. Upgrading of the El Alia Bidonville in Mohammedia

The GOM has proposed as an integral part of the 1981-85 plan the comprehensive upgrading of five large bidonvilles and has asked AID to provide HG support for two of the five. The first of the two is the El Alia bidonville in the coastal city of Mohammedia, some 25 km to the northeast of Casablanca. Mohammedia is a city of 100,000 and is a fast growing industrial suburb of Casablanca. The El Alia bidonville houses approximately 23,000 people, or a

quarter of the city's population on a total land area of 24.5 hectares, resulting in an average density of 938 persons per hectare.

Conditions in the El Alia bidonville are deplorable. There is virtually no physical infrastructure. Water of questionable quality is available from three public fountains; there is no electricity, and no storm or sanitary sewer systems. One section sits in an old quarry and much of the rest sits on rocky terrain. Preliminary engineering analysis indicates, nevertheless, that an upgrading project would be technically feasible. The median income of the residents is slightly under DH 400 per month, well below the general urban median income level.

Responsibility for upgrading of the El Alia bidonville rests with the Casablanca DRHAT, which is also currently implementing the Ben M'Sik bidonville upgrading project. The nucleus of a professional team to plan and implement the El Alia upgrading project has been formed and will assist in carrying out a number of studies critical to the development of a comprehensive approach to the required upgrading activities. Funds from the Ben M'Sik HG financing will be used for this purpose. Preliminary estimates from available information place the cost of the project at about \$21 million. For initial budgeting purposes and subject to satisfactory improvements in the management of Ben M'Sik as referred to in the Ben M'Sik evaluation, \$16 million has been allocated to this project and will be financed by HG loans to be authorized in FYs 1983 and 1985. GOM will request a second phase of HG financing to provide the funds required to complete the project. AID will consider this request after more precise cost estimates become available and after initial project construction has begun.

#### 7. Upgrading of the Dersa Squatter Settlement in Tetouan

The second of the two large bidonvilles for which the GOM has requested HG funding is the large squatter area known as Dersa in the city of Tetouan, some 50 km east of Tangier. Tetouan is primarily an administrative and commercial city of some 200,000 which acts as a service center for the northeastern sector of the country. The Dersa squatter area is a sprawling unplanned community covering approximately 70 hectares on a mountainside immediately to the north of the central city. It houses about 60,000 people, resulting in an average density of over 850 persons per hectare.

Bidonville is a misnomer for the Dersa area. Although physical and social infrastructure are woefully inadequate, the houses being constructed in the area are of permanent hard materials, usually brick faced with concrete plaster, and are substantially larger than those found in more typical Moroccan bidonvilles. Their cost is consequently higher, and the incomes of those who live in the area is probably above that in more typical bidonvilles, though income studies have yet to be completed. Nonetheless, because of its location virtually above the main part of town, the unhealthy conditions of the area have a direct environmental effect on the central city. It is generally regarded as the city's number one problem. Preliminary estimates from available information place the cost of the project at about \$35 million. Preliminary engineering analysis, as in the case of Mohammedia, also indicates

that an upgrading project would be technically feasible. For initial budgeting purposes and subject to satisfactory improvements in the management of Ben M'Sik as referred to in the Ben M'Sik evaluation, \$16 million has been allocated to this project and will be financed by HG loans to be authorized in FYs 1983 and 1985. GOM will request a second phase of HG financing to provide the funds required to complete the project. AID will consider this request after more precise cost estimates become available and after initial project construction has begun.

Responsibility for the upgrading of the Dersa area rests with the Tetouan DRHAT. Though the nucleus of a project team has been formed, as is the case for the Mohammedia project, planning for this project is still incomplete. The Dersa planning unit has projected that the necessary studies will be completed in six to eight months.

#### 8. Technical Support

A considerable amount of technical support will be required if the project is to proceed satisfactorily (see Annex VIII). The major portion will be loan financed through the HG borrowing (about \$6 million of which \$4 million will come from the first tranche), but AID will also provide \$387,000 of development grant (DG) assistance beginning in FY 1983 (subject to the availability of funds). A disproportionately large portion is to be financed under the first tranche, since it is at the outset that it is most needed in strengthening the capabilities of the implementing agencies. This is set out in Annex VIII.

Due to MHAT's personnel constraints, it will be necessary for it to rely heavily on service contracts. The major portion of technical support will provide a number of senior resident personnel to MHAT and its DRHATS in order to assist in the administration of the project. They will be assisted by senior site foremen. All will combine their duties with on-site training so that they can be phased out by the end of the project period when they will no longer be needed. The project will finance engineering and aerial photography to assist in the preparation of site maps and will assist the project by offering urgently needed financing for three surveys: (1) a socio-economic profile of each bidonville slated for HG loan upgrading; (2) an effective demand study for the urban core housing program; and (3) a limited pilot study so that DRHATs can eventually conduct their own market survey for rural core housing. The project will provide three training and orientation opportunities, each of which is focused on a different level of MHAT staff: (a) bidonville upgrading courses which will involve 700 students and 29 MHAT staff members over a two-year period at schools for Technical Assistants. Since many of these students will later be employed by MHAT, a greater general awareness of low-income shelter issues should result; (b) eight junior- and mid-level members of MHAT's regional delegations will be invited to attend a four month seminar on the design and management of low-income shelter programs; and (c) four senior MHAT representatives will be invited to participate in international conferences regarding the policies and practices of low-income shelter. Technical support will also cover the purchase of a mini-computer and associated software to be used in project accounting and control.

Finally, the project will provide financing for the broad range of studies and technical services required to implement the Mohammedia and Tetouan bidonville upgrading projects.

Under separate DG funding (Morocco Project Number 608-0156) relating to the Ben M'Sik project, a long-term resident advisor is being provided to MHAT/Rabat to assist in developing shelter sector programs. This person has recently assumed his position and will devote substantial time assisting in the development of MHAT programs, including the ones which will be partially supported under this project. A resident urban upgrading advisor (also financed under the Ben M'Sik project) is also expected to be of assistance in carrying out this project.

#### 9. Beneficiaries

The target group which the various components of this project is supposed to reach represents more than 150,000 of the poorest half of the population. More than 40,000 will benefit from activities financed by the first tranche. The housing solutions proposed in the project will be affordable by this target group (see table on Affordability Analysis).

The majority of the urban population has come to the cities seeking employment opportunities. The general trend of urban low-income households has been of a gradual improvement in income levels as a result of economic growth. Improvements in the monetary standard of living for all but the poorest households, however, have not been matched by increased access to basic physical services or sufficient improvement in living conditions.

Rapid urbanization, however, has resulted in living conditions characterized by high densities and very poor sanitary conditions due to the lack of infrastructure facilities for the poorest half of the population. This is so despite the fact that the poor often pay premium prices for the limited housing services available to them. In spite of this, most of the residents in the bidonvilles have incomes which place them below the 30th percentile of the urban income distribution.

The rural component of this project will benefit both moderate income persons whose skills are required to staff services in rural centers, as well as the local residents of these centers. It is expected that the majority of the local residents who will be provided with housing will be employed in the secondary and tertiary sectors which are likely to grow in importance.

#### 10. Timing of Project

As indicated in this Part, considerable studies remain to be carried out for each of the programs. These will be done during the remainder of 1981 and 1982 concurrently with the build-up of MHAT staff. Full start-up time would take at least 18 months under any of the programs, but this will depend largely upon the importance which MHAT accords the project. The Minister of Housing informed the project paper team that MHAT's budget will be augmented

AFFORDABILITY ANALYSIS

SUB-PROJECT NAME	Monthly Household Targeted Income Levels In 1981	Annual Increase in Income	1984 Income Levels	Portion of Income towards Shelter Loan	Maximum Monthly Payment	Loan Interest Rate	Loan Term	Maximum Loan for Targeted Group (1984)	Plus Down-Payment (10% of Total Cost)	Total Cost in 1984	Total Cost in 1981 $(\frac{x}{1.10})$	
BIDONVILLE UPGRADING PROGRAMS	400 DH	8%	504 DH	15%	76	8%	20	9,086	1,010	10,096	7,585	
				25%	126	8%	20	15,064	1,674	16,738	12,576	
	500 DH	8%	630 DH	15%	95	8%	20	11,358	1,262	12,620	9,482	
				25%	158	8%	20	18,890	2,099	20,989	15,769	
URBAN CORE HOUSING PROGRAM <sup>1/</sup>	700 DH	8%	882 DH	15%	132	8%	20	15,781	1,753	17,534	13,174	
				25%	221	8%	20	26,362	2,929	29,291	22,007	
	900 DH	8%	1,134 DH	15%	170	8%	20	20,324	2,258	22,582	16,966	
				25%	284	8%	20	33,953	3,773	37,726	28,344	
RURAL CORE HOUSING PROGRAM <sup>2/</sup>	600 DH	6%	715 DH	15%	107	4%	20	17,657	1,962	19,619	14,740	
				25%	179	6%	20	14,935	1,659	16,594	12,467	
					4%		4%	20	29,539	3,282	32,821	24,659
					6%		6%	20	24,985	2,776	27,761	20,857

<sup>1/</sup> There has been a 13 percent increase in the minimum wage (SMIG) which means that incomes and affordability will increase on larger units.

<sup>2/</sup> Recent information indicates that amortization under the Rural Core Housing Program has been established at 30 years.

to include GOM contributions to projects financed primarily by international donor agencies. He requested that AID authorize the project as soon as possible, however, so that the GOM counterpart contribution can be budgeted and made available in a timely manner. Present plans call for authorizations in FYs 1981-82 (\$17 million and \$8 million respectively) for an initial tranche of \$25 million and subsequent authorizations of \$20 million each in FYs 1983 and 1985. Authorization of the first tranche at the present time is also merited because funds for studies, which are prerequisite to the individual programs, are to come largely from the HG financing. Thus authorization will firmly commit both GOM and AID to a course of action which will significantly improve the Moroccan shelter sector.

## B. ECONOMIC ANALYSIS

An economic analysis of Morocco can be found in Part II, Economic Overview.

External Debt: Morocco has greatly increased its external borrowing since 1975 (mostly from Arab and commercial sources) in order to cover its growing balance of payments' current account deficits. Borrowings in 1970 totalled about \$1.4 billion (excluding \$350 million in special grants from Saudi Arabia) and total debt outstanding (including undisbursed) grew from \$7.4 billion at the end of 1979 to an estimated \$8.5 billion in 1980. Debt service payments grew from \$799 million in 1979 (22 percent of total exports of goods and services) to an estimated \$990 million in 1980.

The GOM is fully aware of the need to lengthen the maturities of its loans and to restrict foreign borrowing only to high priority purposes such as the proposed Housing Guaranty loan. Service payments on it would not add significantly to Morocco's overall debt service burden. The proposed loan would increase the amount of debt servicing by only about one percent, which represents about .03 percent of 1979 exports of goods and services (the last year for which data are available).

## C. SOCIAL ANALYSIS

### 1. Bidonville Upgrading

a. Background: The most common type of housing available to the urban poor is found in the bidonvilles where an estimated two million people or 25 percent of the urban population dwell. The development of the bidonvilles is due to rapid urban growth and an insufficient housing supply. Their population is thought to be expanding at twice the average urban growth rate. Densities are high while access to basic infrastructure services is limited and usually non-existent. Bidonvilles are found in all major urban centers where the bulk of the bidonville population lives as well as in secondary urban centers which have been unable to accommodate the demand for housing by low-income groups.

b. Program Beneficiaries: Average household income is estimated at between DH 400 and 550 per month which places them below the 30th percentile of the urban income distribution as indicated in the following table:

URBAN HOUSEHOLD INCOME DISTRIBUTION

<u>Percentile</u>	<u>DH/Month</u>	<u>\$/Month</u>
10	269	56.04
20	450	93.75
30	591	123.13
40	789	164.38
50	1,014	211.25
60	1,289	268.54
70	1,654	344.58
80	2,160	450.00

Expenditure on housing is estimated to range between 15 and 25 percent of incomes for those households which pay for rental and water purchases. The adoption of both sets of expenditure categories (15 and 25 percent) is advisable in order to make the solutions affordable to a larger share of the bidonville population.

Irregularity of income as well as the fact that most bidonville dwellers are owners and do not make regular monthly payments for housing has implications for collection procedures. Therefore, procedures will initially require localized collections in the neighborhoods in order to ease the transition toward making payments directly to financial institutions. Similarly, local officials will familiarize beneficiaries with the project components, loan procedures and applications in order to encourage their participation.

Underemployment is prevalent in bidonvilles and will be investigated further during the course of the socio-economic surveys. Many of the problems of poverty in the bidonvilles relate to poor employment opportunities and need to be addressed on the basis of the results of the socio-economic surveys through GOM efforts to generate employment opportunities.

c. Living Conditions: There is evidence that living conditions in the bidonvilles are not solely a function of low-income but also the result of insecurity of tenure. Bidonvilles where there is relative security and where construction is in durable materials do not differ appreciably in terms of income levels from those where tenure is less secure and houses are constructed of salvaged materials. By providing security of tenure to residents, the project will encourage the traditional process of investment in improvements in construction once ownership is assured.

Surveys indicate that services particularly water, sewerage and garbage disposal systems are considered the most pressing needs by the residents. The project will provide improved services by making them financially accessible through a credit program. Water hookup charges, for example, cost an average

of DH 900 and are prohibitive to most low-income households. Several of the major cities have already introduced term payments for hookups which require a monthly charge of not more than ten percent of income over a period of two to five years.

While no data exist on access to community facilities for project beneficiaries, most are thought to be within reach of major social services. The project provides for the provision of these services where they are inadequate, however, and it is expected that about 30 percent of the bidonvilles will require schools, clinics and small markets.

## 2. Urban Core Housing Program

a. Background: The gap between bidonville upgrading and the programs designed for the next socio-economic categories implies that a significant part of the target population will have to seek housing in bidonvilles or clandestine housing projects. The existence of clandestine housing projects grows out of the unsatisfied demand for housing among the urban poor which pays premium prices for housing without access to services. Their income levels are estimated to be between the 30th and 50th percentiles of the urban income distribution. The urban core housing program is designed to provide an alternative by providing serviced sites and core units affordable to those whose monthly incomes are now between DH 600 and 1,014.

b. Program Beneficiaries: Demand for this type of housing is expected to be greatest in the major urban centers. The urban core housing sites are expected to attract tenants from the medinas and the bidonvilles.

This group spends between 20 and 25 percent of income on housing. Available survey evidence while limited indicates that the desire to purchase housing rises with income. Similarly, the proportion of income that households within this target group are willing to spend can safely be assumed to be around 25 percent. The socio-economic categories which will benefit from this component of the project include lower level civil servants, salaried industrial workers, artisans and commercants.

There has been some concern that the effect of offering this option to the target groups will serve as an incentive to cream-off the bidonville and medina populations resulting in their further degradation. This concern seems more apparent than real in bidonvilles since a major upgrading effort is undertaken at the same time. The effect on medinas is difficult to determine, however. The process of degradation of the housing stock within the medinas is thought to be influenced by more complex factors than the departure of those groups which are relatively well off.

The surveys to be conducted in major centers to determine housing demand will provide a more detailed profile of this group by settlement type, income and preference.

### 3. Rural Core Housing Program

a. Program Criteria: Rural housing has a high priority in the five-year plan. A total of 300 centers are being selected in coordination with the Ministry of Interior's Operation Chef Lieux (a program designed to buttress the social, physical and administrative infrastructure of rural administrative centers). Housing is seen as an auxiliary development to those centers which have achieved a basic minimum of physical, social, and economic infrastructure. During the course of the mission selection criteria were agreed upon with MHAT to include the following:

- 1) Rural center retained by local authorities as chef lieu of a commune;
- 2) Positive growth rate of population (more than three percent);
- 3) Access to major roads;
- 4) Existence of electricity, water, roads;
- 5) Existence of schools, clinics, commercial facilities;
- 6) Existence of a development plan; and
- 7) Existence of communal or MHAT land for construction of housing units.

Application of these criteria to all of the centers which have been proposed is not possible since sufficient information is not available. A partial analysis of 50 centers for which recent data exist reveals the following patterns:

- 50 percent have populations of between 5,000 and 15,000;
- only 14 percent of these centers have experienced a growth rate greater than three percent--another 14 percent have negative growth rates, while the average for the remaining 72 percent is two percent per year or the average rural growth rate;
- 44 percent have access to national roads;
- 28 percent have water distribution systems;
- 50 percent have electricity;
- 92 percent have a school;
- 88 percent have health facilities; and
- 84 percent have commercial activities consisting of at least one small souk.

There is little evidence that the existence of services of various types has any effect on migration. While centers with negative growth rates are among the least well equipped, those experiencing an average out-migration of one percent per year (the national average) have average service levels. The most that can safely be said is that a lack of services leads to an above average rate of migration. Studies suggest that towns which reach a population of 10,000 begin to assume more dynamic urban functions than do smaller-sized rural administrative service centers.

b. Program Beneficiaries: Average rural household monthly income is estimated at DH 739 (\$154), while the rural median is estimated at DH 562 (\$117). Households headed by small farmers, agricultural workers and artisans in rural areas are likely to have average incomes below the median while farmers, tradesmen and lower level civil servants are likely to earn incomes averaging between DH 562 and 739. While approximately 65 percent of the active rural population is employed in agriculture, it is expected that only 37 percent will be engaged in agriculture by the end of the century. Therefore, employment in the secondary and tertiary sectors must be created if the tide of migration is to be stemmed.

The indices of poverty in rural areas include high levels of illiteracy, low school enrollment ratios, limited access to health services and lack of potable water. The choice of rural market and service centers therefore includes among the beneficiaries those professionals who have the necessary skills to improve living standards among the rural populations. Many of the centers also provide these services to populations in outlying dispersed rural settlements. Up to 20 percent of the financing for this program is being reserved for community facilities to house teachers, nurses, and other professionals to run social and administrative facilities. It is not possible to determine housing demand among the resident population at this time.

Low income levels and the tradition of auto-construction are likely to limit demand among agriculturalists outside the irrigated zones where incomes are higher. Given the mix of rural and urban functions in the rural market centers, however, demand is likely to come from the population employed in the secondary and tertiary sectors. This issue will be clarified and investigated in the demand survey proposed for the rural market and service centers.

#### 4. Additional Benefits

Improvements in services will have beneficial impacts on the health and physical environment of the family for which women are primarily responsible. Female heads of households form a significant proportion of the poorest households in bidonvilles and will benefit directly by acquiring title to land and access to services. Training services for women exist through a variety of programs, many of which are presently supported by AID. Linkages with these programs will be established in order to improve the financial position of female headed households.

One of the major benefits to project beneficiaries is the improvement of environmental and sanitation standards. Poor sanitary conditions and limited access to water are known to be a major cause of health problems. Thus one of the leading causes of morbidity and mortality is gastrointestinal diseases which are associated with poor environmental conditions with regard to water supply and waste disposal.

#### 5. Conclusion

In summary, implementation of the various project components is expected to have a positive social impact by bringing about improvements which are both

socially accepted and meet expressed needs. Additionally, the project will help to sustain a major effort by the GOM to respond to the housing needs of urban low-income groups as well as the problems of housing among the population located in rural centers where intervention has hitherto been minimal. The project's rural component could provide GOM with an effective and practical approach to providing affordable and appropriate housing solutions to a segment of the population which has not been able to benefit appreciably from economic growth and development.

#### D. TECHNICAL ANALYSIS

##### 1. Criteria for Site Selection

The criteria for site selection were developed and agreed upon with the assistance of AID consultants (see Annex VII). While they were developed primarily for the Petit et Moyen Bidonville (PMB) program, similar criteria for the selection of sites for the urban and rural programs will be derived from them.

While technical aspects are essential to site selection, the DRHATs' (MHAT regional offices) administrative capabilities in carrying out the sub-projects are also critical. In effect, priority for site selection must be given to provinces where DRHATs are able and prepared to undertake the various proposed programs in all their aspects.

Technical criteria include insalubrity, population density, precariousness, site difficulty, distance from the center of town, and the adequacy of social services. Administrative criteria include adequacy of staffing, existence of relocation area nearby, attitude of local authorities, state of preparation of project, land ownership, intraministerial coordination, and evaluation of development plan. Sites will be chosen after a thorough comparative analysis utilizing the above criteria.

Before AID gives its final consent to the sites selected, all sites will be classified and ranked in their order of priority by MHAT so that they may be reviewed jointly for their inclusion in the project.

##### 2. Architectural Standards (Construction and Design)

As far as the construction and design elements of the four programs proposed for financing are concerned, detailed guidelines have been prepared (see Supplementary Paper II: Housing Solution Guidelines). The level of technologies to be utilized will be low. It is impossible to detail the variety of possibilities that will be created for the programs but several common characteristics can be noted. The various housing solutions will be offered according to the beneficiaries' financial capabilities. The least expensive will be a serviced lot with other solutions being increasingly more expensive variants up to a full core unit (from DH 5,724 to 25,705; from \$1,193 to 5,355):

- a. The first option will be a lot equipped with individual water and sewer hookups to the property line but no construction. Lot size will vary.
- b. The second will be the same plus a 2m<sup>2</sup> toilet core tied into the sanitary sewer and water systems and adjacent to a 2m high structural wall running the depth of the lot. Lot size will also vary.
- c. The third will be the same plus a bond beam on the wall, one exterior door, two exterior windows and associated lintels.
- d. The fourth will be the same plus a room at the front of the lot. The enclosures and room will have a continuous bond beam, two exterior doors, four windows and associated lintels. Room sizes will vary.
- e. The fifth will be the same, but such houses will front on major roads.

Individual electrical hookups are optional at all sites. All construction will be structurally sound for the particular site, and building materials and techniques appropriate. The first group of projects will be confined to projects on MHAT or state land. Subsequent projects will take longer and be more expensive due to the necessity of having to negotiate the purchase of land. The relocation component of the PMB program and urban and rural programs will require such land. Land for associated socio-economic services will also be required as needed.

### 3. Infrastructure Levels

There will be a variety of sites in each program; all design, labor, and materials will be as inexpensive as possible while ensuring satisfactory health conditions in the project areas. The levels proposed have been determined by averaging infrastructure systems viewed during on-site visits and through discussions with MHAT officials. While the great variety of solutions included in the project preclude a meaningful average cost of infrastructure per unit, it will be at a level which is affordable to the target population.

a. Storm and Sanitary Sewerage Systems: The storm and sanitary sewerage systems will be unitary due to the high cost of separate systems. Since the absence of sanitary sewerage systems is a threat to public health, all sub-projects will provide the possibility for individual hookups to collector systems or modified septic tanks. Savings can be made by furnishing dual collection boxes for adjoining lots. A sanitary system can be installed within restructured bidonvilles without too much inconvenience or relocation but will require increasingly sophisticated engineering design and construction expertise.

A storm sewerage system will be provided only where surfaced paths are located. All secondary roads, relocation area roads and new construction areas within the project will have storm sewerage systems.

Areas served by public fountains risk having a marginal sewerage system due to the low volume of water passing through them. Therefore water siphon flushing systems are proposed for such areas.

b. Potable Water: Water consumption in bidonvilles is estimated to be 50 liters per day per person with a swing factor of 2.5. Restructured areas will be designed to have public fountains at 200 meter intervals which would place all households within 100 meters of a fountain. Each would serve approximately 1500 inhabitants. All other areas will have individual hookups available.

c. Paths and Roads: In the restructured areas pedestrian paths are normally three to five meters wide. While their upgrading is difficult due to the irregularity of adjoining households, they will be upgraded in two ways: 1) grading to drain the storm run-off away from the households; and 2) paving the more important paths five meters wide with a thin asphalt topping over a gravel base with catch basins. Secondary roads will be 12 meters wide (seven meters of road and 2.5 meters on each side for sidewalks, curbs and storm drainage).

In the relocation areas and in the urban program, roads and paths will be five, eight and twelve meters wide. The five meter paths will be treated like those within the restructured areas and be restricted to pedestrian traffic. The eight meter roads are designed for light traffic and their paving will have no foundation construction. The 12 meter roads are designed for heavier traffic with foundation construction. The cost of associated national and primary roads were not calculated, since they will be carried by the community as a whole.

The secondary roads are to be built to Moroccan specification which offer enough flexibility that it is not necessary to create new specifications. The pedestrian paths when covered are of a gravel sub-base and asphalt surface construction. Other solutions might include concrete tiles or lime/cement stabilized earthen blocks. The cost difference (more expensive for concrete tile than for stabilized earth) is nullified when installation and maintenance costs are included.

d. Electricity: For economy, overhead electrical services are proposed for individual connections and for public lighting. Due to the quality of construction within upgraded zones, individual hookups are not initially planned for safety reasons. Full electrification can only be implemented when construction within the bidonville is structurally adequate. Other project areas will have individual electrical hookups available from overhead lines.

Street lighting in the restructured areas will only be on secondary roads (12 meters wide), and there will be about four to five lamps per hectare. In

the relocation areas and in the urban housing program areas, street lighting will be on both eight and 12 meter wide roads at the same level of spacing leading to about six to seven lamps per hectare.

e. Garbage Collection: As crucial to public health as proper sewerage systems, efficient garbage collection is imperative for communities, especially for those as saturated as bidonvilles. The most economic garbage collection system is that of providing trash collection containers throughout the bidonville that will be serviced by garbage trucks and associated land fills. The number of containers can be calculated by using the formula of one eight cubic meter container to serve 1200 people that will be picked up every other day. Therefore, if the density is 600 inhabitants per hectare, one container is necessary for every two hectares. While this is a simple system requiring no maintenance, the problem of overflow can be considerable. This can be solved through proper scheduling by the municipality.

## E. ADMINISTRATIVE STRUCTURE

### 1. GOM's Administrative Framework for the Project

a. Ministry of Housing and Regional Development (MHAT): The project will be implemented by the Ministere de l'Habitat et de l'Aménagement du Territoire (MHAT) which is charged with the development of a national shelter policy and the programs necessary to implement that policy. Among MHAT's principal efforts over the past several years have been major slum improvement programs with AID and the World Bank, and the creation of the national land development fund (FNAET). These programs have helped focus GOM interest on minimal shelter solutions as one approach to improved conditions in slum areas.

The Ministry is represented by twenty-four regional offices (DRHATs) strategically placed throughout Morocco. The majority are understaffed and need increased logistical support to meet their mandate fully. Almost all MHAT regional directors are architects. They handle housing, city planning and environmental concerns.

b. Provincial Administration and the Role of the Governor: Provinces were established to provide the country with an administrative structure. In 1963 elected provincial assemblies were introduced with their own powers and responsibilities. The provinces thus became decentralized local authorities and currently constitute the key echelon in Moroccan local government. A provincial assembly is composed of two types of members: representatives of professional organizations and members elected by the commune councils in the province.

Governors are the government's representatives in the provinces. Appointed by the King, three-fifths of them are selected from among the senior administrators of the Ministry of Interior. The governors' role has been progressively expanded until they now have authority for supervising, promoting,

and coordinating the actions of all government agencies established in the provinces. Governors are responsible to the Minister of Interior, who delegates to them some of his authority, including supervision of the communes.

In the past, the orientation of the provincial government has been dominated purely and simply by administrative concerns. Only recently have services been set up to handle economic development matters.

c. Communal Administration: The commune represents a form of decentralized local government and was established during the early days of independence. It is the basic element of local participation in economic and social development. At present there are 847 communes comprising some 34,000 settlements. New communes are created by the Prime Minister exercising his statutory authority. A commune's formal administrative structure consists of a commune council, its chairman and the government representative called the local executive official.

Council decisions on minor issues have to be approved by the local executive official. Local executive officials include the Caid in rural communes and the Pasha in urban communes. A Super-Caid, a senior official responsible for a cercle (district), has three or four Caid or Pashas under his supervision. The latter are assisted by one or more deputies, known as Khalifas. At the level of the fraction and douar (commune sub-divisions) the executive official is represented by the Shaykhs and the Muqaddams respectively.

There is thus a dual system of authority at the commune level: elected local officials and appointed executive officials from the central government. There is no clear division of responsibilities between them. In theory, the council and its chairman are responsible for financial administration and the local executive officials for the maintenance of law and order. In practice, however, these two areas of responsibility frequently overlap and the ensuing confusion is a source of conflict.

This situation is now changing radically, however, as a result of recent government measures designed to increase the autonomy and initiative of the local communes. The 1976 reform of the commune system was a clearcut step toward decentralization, since it gave the communes the right to plan and propose projects. The activities of the council and its chairman are still subject to supervision which, although eased somewhat in 1976, is nevertheless quite close.

## 2. MHAT's Institutional Capabilities

a. MHAT Staff: A review of MHAT's staffing pattern reveals that less than 20 percent (408 out of 2,447) of MHAT employees are professional or managerial. Over a third of the professional staff works in the central offices of the Ministry. The remaining staff is spread among the 24 regional offices. Over 40 percent of the professional staff in the delegations are architects, while 25 percent are civilistes (recent college graduates

fulfilling two years of mandatory government service). Many MHAT delegations has not yet completely filled their personnel needs. This is particularly true in the administrative and engineering areas. Few delegations have any technical assistants.

The personnel problem described above has been recognized by MHAT management. While its strengths are its upper-level technicians and mid-level administrators, its weaknesses are its upper-level managers and mid-level technicians. Currently, almost all delegates are architects who spend most of their time as managers. The remaining architects are frequently distracted with lower-level chores. In 1980, MHAT opened a dozen or so regional schools to develop a cadre of technical assistants who would perform as draftsmen and site inspectors. The first graduates of this two year training program will be available for assignment with MHAT in mid-1982.

Both the central Ministry and the regional offices of MHAT share a lack of essential operating materials and services such as drafting equipment, photocopy services, field management staff, transportation for project personnel, and qualified secretarial help.

b. MHAT's Shelter Program Emphasis: An analysis of the three types of programs for which regional delegates have been principally responsible during the 1978-1980 three year plan shows that 80 percent of the funds managed by the delegations went toward the self-financing FNAET program. The rest of the funds managed by the delegations were split fairly evenly between the rural program and the small- and medium- sized bidonville upgrading effort. While there exists an obvious correlation between the percentage of MHAT staff found in each delegation and the volume of work being managed, there are also wide variations. Finally, it should be noted that only a third of the delegations are currently pursuing all three MHAT programs.

c. Administrative and Staffing Analysis of MHAT: MHAT will have the major responsibility of implementing the project, including the technical support. To do so it will have to undertake an ambitious staff development program. The current MHAT program requires a general increase in numbers if it is to operate more smoothly, as well as a greater proportion of staff seconded to the regional delegations. This applies even more so to the project which lays out an ambitious effort over a five year period. The following steps have been agreed in order to implement the project efficiently:

- 1) The special section within MHAT's Habitat division for the Petit et Moyen Bidonville PMB program will be expanded by a total of 55 professionals, nearly all of whom would have over three years of government experience and be assigned to regional delegations. Further study will also be given the proposal to establish the Agence de Lutte Contre les Bidonvilles (ALCB).
- 2) A special section within MHAT's Habitat division will be established to carry out the new urban core housing program.

- 3) A special section within MHAT's Habitat division will also be established to carry out the rural core housing program.
- 4) A generous use of contractors will be made. Numerous qualified firms are available locally for auditing, site management, market demand studies, topographic and utility network planning, and socio-economic evaluations. It has also been agreed that MHAT engage the services of resident project advisors on a contractual basis.

Reliance on contractors is essential given the volume of work programmed under the project. Also, by strengthening the ties between the public administration and the private sector, a cadre of public and private professionals skilled in bidonville upgrading will develop as a normal outgrowth of this collaboration.

It has been agreed that MHAT's professional staff will be increased by nearly 100 staff members during its five year plan in order to implement the project efficiently. The lack of staff is the single major barrier to project success. This strengthening with administrators, financial analysts, and engineers will be a major expense for MHAT and a major project output. It is estimated that the required expansion will cost about \$9 million over the five year period.

### 3. Local Communes' Financial Posture

The communes depend largely for their financial resources on transfers from the central budget. In 1978, investment subsidies amounted to 72 percent of the infrastructure budgets of the local authorities.

According to the Ministry of Interior, the communes' own resources finance only ten percent of their infrastructure on the average, since their volume of savings is small. To cover their operating expenses, the communes receive grants from the Ministry of Interior. Their capital budgets are financed by (1) grants from the Fonds de Developement des Collectivites Locales et de leurs Groupements which is managed by the Ministry of Interior, (2) grants from the Special Regional Development Fund, administered by the State Secretariat for Planning and (3) loans from le Fonds d' Equipement Communal (FEC). The first two financing sources are discretionary; the third is contingent upon creditworthiness.

Current Trends: To strengthen the role of government at the regional level, it was decided to undertake substantial decentralization of budgetary appropriations in 1979. About DH 1 billion is to be made available to the provincial governors who will act as representatives of the central government and of each ministry. Although this only involves capital appropriations, the importance of this decision should not be underestimated since it strengthens the governors' powers of coordination and obliges certain ministries, until now highly centralized, to strengthen their local staffs. This will, however, entail additional costs which should be offset by higher productivity at the local level.

Thus, although the GOM budget has been under considerable pressure during the 1978-1980 three year plan's financial retrenchment effort, transfers to local governments in 1979 and 1980 for operating and capital expenditures actually increased sharply. During the same period, there was a marked slowdown in the growth of local government expenditure.

F. ENVIRONMENTAL CONCERNS

Since the proposed project is not site specific and will be implemented throughout the country in many sites not presently known, it is not possible to make an unequivocal statement on environmental impact. It is, nevertheless, hard to avoid the overall conclusion that the foreseeable positive impacts far outweigh the foreseeable negative impacts. Since the project will bring improved infrastructure services to those who partially or totally lack them, from an environmental standpoint the project should be implemented. Environmental concerns have been discussed with the GOM as summarized in the Supplemental Paper II: Housing Solution Guidelines, which will be utilized in designing specific components of the program.

#### IV. THE FINANCIAL PLAN

##### FINANCIAL PLAN AND CASH FLOW

##### 1. Project Costs

The total cost of the project is estimated to be \$90 million of which \$65 million will be financed by the HG loans. HG funding represents 70 percent of the cost of the program components and 100 percent of related technical support. A breakdown of the financing by sources and components follows (figures in parenthesis represent the first tranche of \$25 million):

	<u>HG</u>	<u>GOM</u>	<u>Beneficiaries</u> <u>(\$Millions)</u>	<u>Communes</u>	<u>Total</u>
PMB Program	15.4 (9.0)	4.4 (2.6)	.9 ( .5)	1.3 (.8)	22.0 (12.9)
Urban Core Housing Program	8.4 (5.0)	2.4 (1.4)	1.2 ( .7)	-	12.0 ( 7.1)
Rural Core Housing Program	12.6 (7.0)	3.6 (2.2)	1.8 (1.1)	-	18.0 (10.3)
Mohammedia	11.3	3.1	.7	.9	16.0
Tetouan	<u>11.3</u>	<u>3.1</u>	<u>.7</u>	<u>.9</u>	<u>16.0</u>
Total	<u>59.0</u> (21.0)	<u>16.6</u> (6.2)	<u>5.3</u> (2.3)	<u>3.1</u> (.8)	<u>84.0</u> (30.3)
Share (%)	70	20	6	4	100
Technical Support	<u>6.0</u> (4.0)	<u>-</u>	<u>-</u>	<u>-</u>	<u>6.0</u>
Share (%)	100	-	-	-	100
Grand Total	<u>65.0</u> (25.0)	<u>16.6</u> (6.2)	<u>5.3</u> (2.3)	<u>3.1</u> (.8)	<u>90.0</u> (34.3)

Each program will receive an advance from the HG loan equivalent to ten percent of the program costs as shown in the input table above. A hold-back of 20 percent of the HG portion will not be disbursed until AID is satisfied that each program has been completed as agreed. Periodic reviews of down payments in relation to construction costs in each of the programs will be made to insure that HG funding does not exceed 70 percent of the cost of each program, a figure agreed upon with MHAT.

##### 2. Capital Cost Recovery

In the past cost recovery has not been a priority in GOM shelter sector programs. MHAT has recently requested technical assistance, however, to advise on cost recovery for all its programs. The new AID-funded policy

advisor in the Ministry will make this a priority in his work plan, in particular interest rate policies and subsidies in the sector. At the present time only projects financed by AID and the World Bank fully incorporate cost recovery principles, and this in name only since none are fully operational. Furthermore, the principle relates only to capital costs. Since borrowing rates range from 9.25 percent in the Bank's most recent Urban II project to approximately 14-15 percent at current HG rates, and since lending rates range from four to eight percent for project beneficiaries, there is a considerable subsidy provided to the shelter sector. At the same time certain costs are not directly recoverable from project beneficiaries and are borne by the GOM and communes. These expenses are recoverable only by general tax revenues on the population as a whole and by project citizens of the affected communes including beneficiaries respectively.

As with World Bank projects, AID also attempts to maximize total cost recovery while at the same time realizing that such a policy change must be introduced gradually. When subsidies are necessary, they should be targeted to lower income people. In the proposed project about 76 percent would be directly recovered through plot charges paid by the individual beneficiaries. Of the 24 percent not recovered directly, three percent would be incurred by the communes and 21 percent by the GOM.

### 3. Cost Recovery Mechanisms

The GOM is not yet committed overall to the principle of cost recovery, but it has agreed to implement such a policy in the low-income housing projects financed by AID and the World Bank. As a result, the institutions to be involved and the mechanisms to be employed are an important element of this project.

The Banque Centrale Populaire (BCP) will participate in project implementation in the project's urban programs. The BCP is a fully government-owned bank, has a broad network of branches, and already makes loans for low-cost housing in which area it has considerable experience. It would service small homeowner loans through its local branches and temporary on-site offices where repayments will be made by project beneficiaries. In some cases the BCP may wish to make door-to-door collections until beneficiaries become familiar with the BCP's procedures. Local authorities will assist the BCP by announcing collection dates and encouraging payments until the time has been reached when beneficiaries are able to deal with the BCP directly. In those areas where the BCP has no branches, primarily in that area served by the rural core housing program, the CNCA (National Agricultural Credit Bank) will service project loans along the same lines.

Prior to making loans, the local implementing banks will carry out a savings campaign to inform potential beneficiaries of the opportunities and obligations involved. They will also encourage savings for down payments. The

banks will also process the individual loan applications drawn up by the beneficiaries with the assistance of each DRHAT.

## V. IMPLEMENTATION PLAN

### A. SCENARIO FOR THE IMPLEMENTATION OF 608-HG-002

This discussion present the scenario for the implementation of 608-HG-002 based upon multi-year authorizations during FY 81,82,83, and 85. Among the project elements to be discussed are project phasing, construction schedules, addition of administrative staff, technical support, and staff training. The presentation herein describes in considerable detail the implementation to be undertaken under the first authorization of \$25 million, that is, \$17 million if FY81 and \$8 million in FY 82. However, the life of program phasing of projects according to authorizations, involving the integration of crucial elements into an implementation plan, is developed further in Project Annex IV: Program Implementation Scenario.

An effort has been made to reduce the complexity of this program's implementation as originally described in the project paper by two means: (1) postponement of the implementation of the projects dealing with the upgrading of the two large urban bidonvilles of Mohammedia and Tetouan while maintaining the proposed schedule for socio-economic studies and project planning; and (2) limiting the implementation activity during FY 82 (under funds authorized in FY 81) to two programs, the Small- and Medium-Sized Bidonvilles Program (PMB) and the Urban Core Housing Program, and incorporating the third program, the Rural Core Housing Program, under the FY 82 authorized funds in FY 83. Such a scenario guideline provides the Government of Morocco (GOM) ample time to gradually increase its staff to meet the requirements posed by the two large Bidonville Upgrading Projects to begin in FY 1983 as well as allowing time for work under 608-HG-001 to proceed further and to permit a transfer of experience from one type of project to another and thereby facilitate implementation.

In the design of this scenario, an effort has been made to incorporate:

- The political and economic development priorities of the Ministry of Housing and Regional Development (MHAT) and the GOM as they relate to realizing project outputs.
- The technical support and those studies considered vital to the program's design and its realization of the program purpose and goal.
- A realistic assessment of personnel needs at the central ministerial and regional delegation levels.
- A proposal for the timely hiring of such personnel as required in each program and project site.

In the scenario, the technical support and required studies will be funded under 608-HG-002 in order that all technical support will be 100 percent Housing Guaranty financed. The technical assistance and studies for the design of all four programs have been identified in the project paper as

Effective Demand Study for the Urban Core Housing Program; Limited Pilot Study to provide the basis for delegations to conduct their own market surveys for rural core housing needs; accounting and financial management services; computer services; aerial photography for site plan development; and necessary engineering designs. The need for contracting of senior resident advisors for site monitoring and related local level activities will be defined when the aforementioned studies are completed and sites are selected. It has been estimated that \$4 million in Housing Guaranty funds will be required to fulfill technical support needs. The type of technical support to be provided and the effective implementation dates are described in Project Paper Annex VIII.

In addition to the \$4 million in Housing Guaranty financing for technical support and studies, \$387,000 in Mission FY 83 Development Grant Funds have also been proposed. Those monies would finance a variety of training activities for all levels of staff associated with this program. The types of activities to be included in those training programs and their effective dates are described in Project Paper Annex VIII.

1. Personnel and Supervisory Needs Under Phase One of 608-HG-002

Brief Description

Personnel at the project management level are essential for program and project design, preparation of budgets, and implementation supervision. Although small differences in staffing needs than what are to be provided here may arise when actual sites are selected and distributed among MHAT Delegations, these will be minor and easily soluable when staff postings are made. Staff and supervisory needs will be required at various levels including the following:

a. Total Program Design, Implementation, and Management Level: This is the highest level of program supervision and is undertaken by GOM and American officials. Staff at this level engage themselves in the approval of policy, technical support, and sites for program implementation. They are also concerned with administering periodic evaluations and incorporating those findings in the improvement of program design and implementation. Additionally, these would be the actors in negotiating future authorizations of funds for the program.

b. MHAT Central Staff: This staff, working under the direction of the Director of Housing in the MHAT, will be primarily responsible for the translation of higher level policy and design decisions to the MHAT Delegation level for implementation. In the scope of their activities would be the supervision and assessment of studies, site selection and monitoring the implementation performance of MHAT Delegation staff. Additional staff should be recruited among candidates with at least three years of professional experience and appropriate background.

c. MHAT Delegation Staff: These staffs will be required to implement, at the project-specific level, the program policies and designs formulated through studies, on-going experience, and in conjunction with MHAT central staff members. These staffs will operate out of those of the 24 regional delegation offices concerned with the implementation of this program. Additional staff under this program will most likely be new civilistes with little or no related experience. They should be provided with the intent of developing inter-disciplinary teams.

d. Local, Site-Specific Technical and Supervisory Staff: This category of personnel includes those individuals required to implement and monitor project activities at the individual site or multi-site levels. This would include such personnel as draftsmen, surveyors, and resident advisory contractors. These will be locally hired personnel with a fair amount of job-related experience.

## 2. Staff Needs Assessment

There does not appear to be a deficiency in staff at the highest program level. Available personnel at this level include the Minister of Housing and Regional Development, the Director of Housing in MHAT, a Housing Officer in RHUDO/Tunis, the project officer is USAID/Rabat, the resident project manager for 608-HG-001 in Casablanca, and the resident policy advisor to the MHAT in Rabat.

a. Small and Medium-sized Bidonvilles Program: Upgrading and infrastructure development programs of this variety are undertaken in the context of larger communities. Project design and implementation are, therefore, generally quite complex requiring an inter-sectoral solution. Such an integrated approach to the problem can be facilitated by the work of a multidisciplinary staff.

There are presently five professionals in the Directorate of Housing, MHAT, who are engaged in the design of projects for upgrading small and medium-sized bidonvilles. The staff is entirely made up of architects and engineers. In order to affect the implementation of a PMB project in 18 sites, of which 10 are under the first authorization, an additional 11 staff members are required drawn from disciplines such as urban/regional planning, urban geography, economics, social anthropology, and health-related disciplines. These personnel are to be recruited in phases as described in project paper Annex IV; six of them, however, should be situated in the Ministry no later than August, 1982 at which time the preliminary socio-economic survey and ranking of needs by community will be completed. Actual site selection, budgeting, and land acquisition will begin in August, 1982 and personnel at this level would be essential to complete this process.

In order to facilitate the implementation of this project in its initial authorization phase, the 10 sites to be upgraded will be clustered into five delegations. Given the project complexity and the need for an integrated solution, an additional three staff members per delegation are required that is, a total of 15 professionals should be recruited from the social science

disciplnes listed above. Building contractor, resident managerial, and technical services will be called upon as necessary at a specific site. It is expected that three more contractors will be required during the first authorization stage.

b. Rural Core Housing Program: The rural core housing program will be implemented in small market centers in the rural areas in Morocco. The project paper has already established the criterion of selecting only those centers which have existing social and physical infrastructure. This is part of an overall GOM policy of consolidating capital investments in rural areas and complementing them with housing and other basic human services in order to promote a higher level of economic growth and development.

By nature of this criterion and the relatively small size of each project site, the complexity of project design and implementation is minimized. However, due to the rural character of the project and thereby having to contend with a high degree of non-agglomerated populations, logistical considerations become more important with respect to MHAT central staff size. Therefore, a considerable number of staff is required to supervise the multiplicity of sub-projects in numerous delegations.

Although this project is one of the highest priorities for the MHAT and the GOM, little has been done to create a staff and develop a program. Presently there is only one person in the MHAT concerned with rural housing programs. An additional 10 staff members are required to implement the project in its entirety and six of these should be in place by mid-1982 when preliminary socio-economic and effective demand surveys will have been completed. Site selections and commencement of construction are to commence shortly afterwards. The additional four staff members should be recruited during late 1982 or early 1983. In order to obtain the balance of professional skills required to implement a rural project of this scope, every effort should be made to recruit individuals from the variety of sciences cited above.

The implementation of this project in 47 sites will be appreciably simplified in its initial phase by concentrating the 27 subprojects to be implemented under the first authorization in five rural delegations. Project monitoring of the sites by the five delegation staffs will be required. Personnel with specific expertise in rural economic and community development issues would be most appropriate. An additional three staff members per delegation are recommended for recruitment or a total of 15 new staff members. These individuals are to be in place in their respective delegations by late FY82 to early FY83.

Locally hired building contractors will be necessary as well as numerous additional draftsmen and surveyors, given that 27 different sites are to be dealt with by this program during the first authorization. Exact needs in this regard have been assessed as 3 persons during the first authorization period and a total of 16 during the life of the project.

C. Urban Core Housing Program: There are presently no staff in the MHAT who deal with urban core housing programs. Because there may be an overlapping in sites with the PMB project and given the relatively low level of project monitoring required after the initial study and design phase, only three staff members are recommended for recruitment to the control staff. These individuals should be recruited with backgrounds in some of the social science disciplines. These personnel should be in place by mid-1982 in order to begin site selection and project implementation upon completion of preliminary surveys and studies.

The first implementation phase of this project shall include activity in five sites in five delegations. A total of 9 sites concentrated in five delegations are to be undertaken during the life of the project. The level of complexities of program implementation is similar to that of the PMB program in that work takes place in a large community context. This condition poses the same need for an integrated solution derived from a multi-disciplinary staff. Three additional staff members per delegation are recommended for recruitment in late FY82-FY83. This is a total of 18 new personnel during the life of the project.

Personnel are required as construction supervisors. These individuals will be contracted in administrative staff who will report to delegation level project managers. It is anticipated that six supervisors, one per delegation, will be required as a minimum.

## B. IMPLEMENTATION ACTIVITIES DETAILED

Each of the four major program efforts will be implemented as follows:

### 1. Petit and Moyen Bidonville Program

Based upon the criteria outlined earlier in this paper, MHAT will rank bidonvilles and will select those in which to undertake the detailed socio-economic surveys. At the same time MHAT will begin to establish budgets and medium range plans for staff expansion of the PMB division. It will also pursue its proposal for the eventual establishment of the ALCB and will begin contracting procedures for hiring technical personnel to assist it in project implementation. As each individual survey is finished the regional MHAT office will prepare a detailed proposal of specific actions to be undertaken within the guidelines provided for architectural and engineering standards set forth in this paper and affordable by the target group. The DRHATs will consult with all interested parties at the local level and with the central MHAT PMB division to insure that the planned activities are within the agreed AID/MHAT guidelines and will then proceed with both community development and construction activities.

### 2. Urban Core Housing Program

Based upon the criteria outlined earlier and upon the interest and readiness of the various regional offices to undertake this program, MHAT will

select an initial number of cities in which to undertake demand surveys for the type of housing proposed. As with the PMB program, efforts will be undertaken to expand staff, create a central nucleus division in MHAT, and initiate contracting procedures for additional technical support. As the surveys are completed sites will be selected and the DRHAT will prepare a detailed proposal in accordance with the generally agreed AID/MHAT guidelines. Consultations with all interested parties at the local level will take place and following MHAT approval the individual sub-projects will proceed.

### 3. Rural Core Housing Program

Activities under this program will be essentially similar to those of the first two programs. Thus, efforts will be made by MHAT to expand the central division responsible for this program and at the same time to initiate the budgetary and administrative steps needed to add positions in the field. A socio-economic demand study of potential beneficiaries will then be undertaken. The results of this survey will be used in addition to the criteria previously discussed in this paper to choose sites for program sub-projects. DRHATs will be consulted on their ability and interest to undertake individual sub-projects. Following further consultations at the local level, including demand studies, detailed proposals will be submitted to MHAT for approval and will be reviewed by the MHAT rural division to ensure that they conform with the agreed guidelines. Community development and construction activities will commence thereafter.

### 4. Mohammedia and Tetouan

Initially, emphasis will be placed on strengthening and expanding the teams which will plan and implement these programs. They will assist in carrying out the necessary studies and in preparing detailed program plans. As the programs progress, they will ensure adequate consultation with all interested parties at the local level to make certain the potential beneficiaries are willing participants. MHAT will see that adequate overall coordination is maintained and will also seek AID approval of major policy determinations. Upgrading activities can then commence.

## C. COORDINATING COMMITTEES

The project will be under the general administrative control of MHAT which, acting through its duly appointed DRHATs, will implement the project throughout Morocco. Since MHAT delegates are already the GOM's local authorities in matters of housing, city planning and environmental control, they automatically constitute the major implementing authority at the local level. For the programs to proceed satisfactorily, however, effective administrative action will require that MHAT delegates consult closely with (1) the provincial governors who represent the national administration, (2) local elected officials who represent the communes, and (3) the local officials appointed by royal decree such as Muqaddams and Caid's whose authority is

a reflection of the more traditional parallel administrative structure.

The communes will provide occasional administrative assistance in coordinating activities in support of each discrete sub-project as advised by the regional housing delegate. The commune council can more easily coordinate with the beneficiaries than a higher level structure. The governor's role would be to monitor, review commune decisions on behalf of the government, and ensure that there is adequate coordination between all agencies in implementing the project.

The commune members shall concur in the aspects of the project which directly affect them. Their support is critical to program success since they are elected by the ultimate beneficiaries and have direct links with them.

For this reason, it has been agreed that local coordinating committees composed of (1) a representative of the governor, (2) the commune's executive official, (3) the regional MHAT delegate, (4) the commune chairman, (5) a representative of a local financial institution, (6) a representative of the Ministry of Finance, and (7) a representative of the Service Des Domaines, a branch of the Ministry of Finance responsible for the purchase and management of government land be constituted to advise the delegate on HG-002 funded program sub-projects. The MHAT delegate will be a member of each coordinating committee within his region. Through informal negotiation and discussion, the local authorities and the regional housing delegate will agree on the general contours of each sub-project. Once approved by the coordinating committee, the delegate shall be responsible for sub-project implementation with any necessary assistance.

The governors and elected commune officials will assist by providing funds from the government and from local taxes respectively. The communes may also seek loans from FEC or other sources to provide needed community facilities.

#### D. ADMINISTRATIVE ROLE OF LOCAL BANKS AND COST RECOVERY

The Banque Centrale Populaire (BCP) is the principal bank in Morocco lending to lower income households. The BCP has been very effective at developing a wide-reaching branch network. Called the Credit Populaire system, it has about 150 branches and at the end of 1979 reported DH 4.5 billion (\$1.15 billion) in loanable resources with over 2,000 employees and 300,000 depositors. The Credit Populaire system accounts for about 30 percent of the total banking system's deposits.

The Credit Populaire system makes small loans to entrepreneurs and for low-cost housing and is fully familiar with the processing of small payments. Thus, the BCP network offers the best means of dealing with lower-income families. It will handle beneficiary loans in all areas in which it is presently located. There are, however, weaknesses in the system. The BCP is not imbued with the normal checks and balances of a free market savings and loan system. Specifically, shelter loans to poor clients are government guaranteed. Thus, vigorous follow-up on delinquent accounts has not been necessary for BCP's survival and has not generally been pursued. It has been

agreed, however, that under the project the BCP will be required to pursue delinquents actively.

In addition, the local commune authorities will assist by announcing collection dates. Monthly repayments will be received at a temporary central location in each sub-project neighborhood. MHAT reports that this system of collection has proven effective in similar low-income projects in Morocco. Furthermore, it is a familiar mode of repayment among beneficiaries. Once the repayment pattern is stabilized, the BCP may request that payments be made at its local branch. Interest rates to be charged beneficiaries have been established by GOM and vary from four to eight percent depending upon type and location of housing unit. A savings mobilization campaign will be undertaken by BCP as part of the efforts to familiarize residents with the project. In the event that BCP facilities are not available, as in certain rural areas, the Caisse Nationale de Credit Agricole (CNCA) will provide loan collections.

#### E. Local Credit for Utility Hookups

A wide range of funding mechanisms are available for installing and operating infrastructure networks: direct MHAT contracting, national para-statal, local autonomous corporations (regies), and FEC, a fund which provides loans to communal governments (DH 200 million in 1980) to finance local infrastructure projects. Much of the bidonville upgrading and urban funds are consumed in the installation of sewerage systems which are usually the highest priority for residents. For water-borne sewerage networks to operate efficiently, however, a certain minimal volume is required. Since the initial upgrading phase for most bidonvilles will not include individual potable water hookups, automatic sewerage flushes will have to be installed at the high points of the networks. Periodic flushing will be necessary until sufficient individual hookups are affordable to the population.

Some clients will wish to hook up to potable water as promptly as possible. However, hookups require a flat fee of about DH 900 per household. Usually, the utility company will not allow this fee to be paid in installments. Since the target population's monthly income is between DH 200 and 550, the water hookup charge becomes a large financial barrier which deprives low-income families of a water-tap.

To overcome this barrier several municipal utility companies have already received approval to have their water hookups repaid over several years with financing provided by local banks or FEC. This approach has solved the issue of the regies' regulations which require that they operate on a cash basis.

The stretching out of water hookup repayments has been a policy objective of several World Bank water projects and will be encouraged by AID in this project. All project beneficiaries will have available optional credit facilities which will permit them to make hookup payments on the installment plan. The commune councils with their FEC borrowing authority will be instrumental in establishing this small loan window for project beneficiaries.

#### F. Beneficiary Selection

In the case of bidonville residents whose neighborhood has been upgraded and who remain in the upgraded area, selection is automatic. In the case of new construction in bidonville resettlement areas, the regional MHAT delegate will consult with the commune and the provincial governor prior to the allocation of lots to displaced bidonville residents. In the case of the urban and rural programs, the standard selection procedures stipulated in Ministerial Directive No. 1871 of November 17, 1977 will be used. The beneficiaries of the urban and rural programs will attest that they do not own other real estate, and they will bring proof satisfactory to the delegate's housing selection committee and to the financial institution extending long-term credit that their household income falls below the current median.

Once the definitive roster of candidates is selected, they are directed to the local BCP or CNCA agency which assists them with loan formalities and verifies that the application is complete and accurate. BCP and CNCA representatives will be members of the coordinating committees because they play such an important role in the related savings campaign and because they are responsible for collections. Assisting them in loan collections will be a representative of the commune who in close collaboration with the traditional officials will notify beneficiaries when the monthly collection is to be made.

#### G. Technical Support

The technical support components funded out of the HG-002 loan will be the responsibility of MHAT and will be contracted according to normal GOM contracting procedures and with the approval of AID. The technical support provided under DG funds will be authorized by a ProAg between USAID/Rabat and MHAT. The ProAg will stipulate the contracting and financial mechanisms to be employed. (See Annex VIII.)

#### H. Time Frame for Implementing the Project

Because of its considerable start-up activities, the total project cannot be phased with a high degree of accuracy. Nevertheless, indicative timing of major activities for each program is possible pursuant to a review of normal administrative procedures and lag times experienced in the HG-001 Ben M'Sik upgrading project and MHAT's rural program. The complete time estimates for the bidonville upgrading program, the urban program, and the rural program appear as Annex II in the form of scaled PERT charts keyed to Tables I and II. These PERT charts are summarized in the form of a bar chart. RHUDO presently estimates that cumulative start-up time for the bidonville upgrading program will take 24 to 30 months to become fully operational. Actual public works for upgrading should take 18 months, and close-out administrative procedures another six months. The bidonville upgrading program is expected to last into early 1986 provided adequate administrative support is forthcoming. The bar chart indicated 60 months of activity starting in July 1981 with a review of the Project Paper and maximum sales prices and ending May 1986 with AID approval of the final hold-back disbursement. Table I "Activities Necessary for the Upgrading Program," describes more fully the necessary actions.

Improved management and coherent preparatory steps might be able to shorten implementation time.

The cumulative start-up time for the rural and urban programs including an effective demand study and contractor selection is estimated to be just over 24 months. Actual construction time would be 17 months, while administrative close-out procedures would take seven months. Total program time would require about 48 months as shown on the bar chart. Table II, "Activities Necessary for Rural/Urban Programs", describes more fully the actions for these two programs.

## VI. EVALUATION

### A. MONITORING, APPROVALS, AND EVALUATIONS

A consistent and thorough program of monitoring, approvals and evaluation will be essential to the success of the proposed project. Regular annual evaluations will be carried out which will form the basis for progress reports to be submitted prior to each subsequent authorization. Further evaluation of the progress of each of the programs as defined in the Logical Framework, the Planned Performance Tracking Network, and the Project Delivery Plans (to be updated prior to any disbursements) will be made by RHUDO/Tunis through frequent staff visits. Any discrepancy between the targeted goals and actual performance will be noted and remedial steps taken.

MHAT will also be required to submit semi-annual reports on the progress of the program which RHUDO/Tunis can evaluate with the purpose of spotting problems in implementation at an early stage. Furthermore, the presence in Rabat of a senior policy/program advisor to MHAT funded by AID should provide additional oversight of the program. This is equally true of the presence of a USAID/Rabat staff member whose responsibilities will include all AID housing programs in Morocco. The requirement that all project activities have prior RHUDO/Tunis approval should also provide ongoing supervision.

The objective of the monitoring program is to improve project implementation and facilitate attainment of project purposes. While monitoring and evaluation will be continued throughout the life of the project, it is expected that the need for specific approvals by RHUDO/Tunis of individual site activities will diminish once MHAT has increased its staff according to plan and has gained experience in preparation of these detailed proposals.

### B. EVALUATION ARRANGEMENTS FOR PROJECT

Evaluations will be undertaken annually during the proposed five-year implementation period of the proposed \$65 million Housing Guaranty loan program for the Moroccan shelter program. The first evaluation will be scheduled approximately twelve months after the Implementation Agreement has been signed. A final evaluation will be conducted approximately six months after the last disbursement of HG resources. The GOM will be requested to submit at that time, its final accounting of how the HG resources were utilized. Representatives from USAID/Morocco, RHUDO/Tunis, MHAT and DRHATs will participate in the evaluations. It is anticipated that AID will be represented by the RHUDO housing officer and the USAID project officer.

Elements to be reviewed and evaluated include progress towards achieving:

1. The introduction of cost recovery mechanisms in programs to be financed by HG resources:
  - a. Establishment of lending interest rates, and cost recovery provisions in the MHAT lending instruments.

- b. Establishment of borrower collection procedures, delinquency reports and followup/enforcement procedures.
2. The introduction of small and medium bidonville upgrading projects into the bidonville upgrading programs of MHAT:
    - a. Establishment of operations unit;
    - b. Recruitment and training of staff;
    - c. Resources allocated to program;
    - d. Establishment of site selection criteria;
    - e. Establishment of periodic reports on the number of units financed and constructed as well as characteristics of project beneficiaries;
    - f. Establishment of neighborhood promotion programs and participant selection criteria;
  3. The creation and implementation of rural and urban core housing programs within MHAT:
    - a. Establishment of operational unit;
    - b. Recruitment and training of staff;
    - c. Resources allocated to program;
    - d. Establishment of site selection criteria;
    - e. Establishment of periodic reports on the number of units financed and constructed as well as characteristics of project beneficiaries;
    - f. Establishment of neighborhood promotion programs and participant selection criteria.

The annual and final evaluations will be developed following the PRE/H Evaluation Guidelines\*. Provision for these evaluations will be included in the Implementation Agreement to be negotiated with the GOM. RHUDO/Tunis will develop the terms of reference for the first annual evaluation in consultation with USAID/Morocco, MHAT and participating DRHATs.

---

\* PRE/H, Evaluation and Monitoring Guidelines, November 1978.

VII. CONDITIONS, COVENANTS AND NEGOTIATING STATUS

A. EFFECTIVE IMPLEMENTATION OF THE PROJECT

The major covenants necessary for the efficient implementation of the project and to ensure that it directly benefits the target groups have been agreed with MHAT as follows:

- a. MHAT will augment its staff to a level necessary to carry out the project as described herein and will engage technical advisors in a sufficient number to carry out the project as agreed with AID;
- b. Within MHAT, the PMB unit will be expanded and the urban core housing and rural core housing units will be established at agreed levels of staffing;
- c. The necessary studies will be carried out to AID's satisfaction prior to proceeding with each program;
- d. Program site selection, architectural standards, and infrastructure levels will be substantially as set forth in this Project Paper in order to directly benefit the below median income target groups;
- e. An agreement satisfactory to AID will be entered into with a financial institution or institutions able to handle beneficiary loans under all four programs;
- f. Satisfactory arrangements will be made with a financial institution or institutions to provide medium-term funding to beneficiaries to allow them to make utility hookup payments on the installment plan;
- g. Coordination with other involved agencies will be carried out in each program within the framework of the coordinating committee system; and
- h. A master Project Delivery Plan will be prepared by MHAT and approved by AID prior to advertising for a lender. Separate, detailed Delivery Plans for each program will also be prepared. They will be updated prior to each disbursement.

B. STATUS OF NEGOTIATION

AID will authorize a HG loan and send a Letter of Advice to the Borrower. A Notice will then be placed in the Federal Register inviting interested Investors to submit loan proposals to the Borrower.

The terms of the four basic documents of the project guaranty will be negotiated. The legal documents are:

- a. The Implementation Agreement between AID and the Government of Morocco.
- b. The Loan Agreement between the U.S. Investor and the Borrower.
- c. The Guaranty Agreement between AID and the U.S. Investor.
- d. The Guaranty Agreement between the Government of Morocco and AID.

After the first tranche, subsequent authorizations in FYs 1983 and 1985 will be made on the basis of Action Memoranda to the Assistant Administrator, Bureau for Near East, accompanied by the most recent annual project evaluation.

LOGICAL FRAMEWORK

Morocco

Project Title & Number: Second Housing Guaranty Loan 608-HG-002

From FY 81 to FY  
Total U S Funding \$25 million  
Date Prepared: September 1981

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Improve shelter and community conditions for below median income families throughout Morocco.</p>	<p>Measures of Goal Achievement:</p> <p>Significant improvement in housing indicators nationwide by end of project period.</p>	<p>Records of MHAT and comparison of 1981 and 1991 census data.</p>	<p>Assumptions for achieving goal targets:</p> <p>GOM's five year plan and budget emphasize suitable shelter solutions for below median income families.</p> <p>Solutions proposed are acceptable to MHAT beneficiaries and they participate willingly in program.</p>
<p>Project Purpose:</p> <p>1. To develop effectively functioning programs including associated social and economic infrastructure for the: a) petit and moyen bidonville program; b) urban core housing program; and c) rural core housing program.</p> <p>2. To strengthen the administration and financial capacity of MHAT so that it can implement this and similar programs.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>1.a) At least 10 neighborhoods have benefitted from program; b) at least 5 neighborhoods have benefitted from program; c) at least 27 neighborhoods have benefitted from program.</p> <p>2.a) Number and effectiveness of MHAT's interventions increase over period of program implementation; b) 93.5% of capital costs recovered.</p>	<p>1. AID, MHAT, and cooperating agencies.</p> <p>2. Records of MHAT and AID.</p>	<p>Assumptions for achieving purpose:</p> <p>Sufficient staff and budgeting resources available. Adequate coordination maintained among participating agencies. Technical support programs implemented on schedule. Cost recovery and collection procedures enforced.</p>
<p>Outputs:</p> <p>1. Following projects completed: a) small and medium sized bidonville upgrading program b) urban core housing program c) rural core housing program.</p> <p>2. Creation in MHAT and DRHATs of organizational units to administer large bidonville, PMB, urban, and rural programs.</p>	<p>Magnitude of Outputs:</p> <p>1.a) 27,000 people in 10 neighborhoods have benefitted from program; b) 6,500 people in 5 neighborhoods have benefitted from program; c) 9,000 people in 27 neighborhoods have benefitted from program.</p> <p>2. Units functioning as planned.</p>	<p>1. Records of MHAT</p> <p>2. Records of MHAT</p>	<p>Assumptions for achieving outputs:</p> <p>Adequate budgetary resources available.</p> <p>MHAT able to recruit sufficient qualified personnel.</p> <p>MHAT able to recruit sufficient qualified personnel.</p>
<p>Inputs:</p> <p>1. HG Program Loan 2. GOM contribution 3. Beneficiaries' contributions 4. Communes' contribution</p>	<p>Implementation Target (Type and Quantity)</p> <p>1. US\$ 25.0 million loan 2. US\$ 6.2 million 3. US\$ 2.3 million 4. US\$ .8 million</p>	<p>1. Records of AID 2. Records of Ministry of Finance, MHAT and AID. 3. Records of MHAT and AID. 4. Records of communes, MHAT and AID. 5. Records of AID and MHAT.</p>	<p>Assumptions for providing inputs:</p> <p>Progress of project sufficient to allow subsequent HG authorizations.</p> <p>GOM and communes' inputs are budgeted and committed to project in a timely manner.</p> <p>Beneficiaries able and willing to make down payments.</p> <p>DG resources are available and committed to project.</p>

BEST AVAILABLE COPY

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

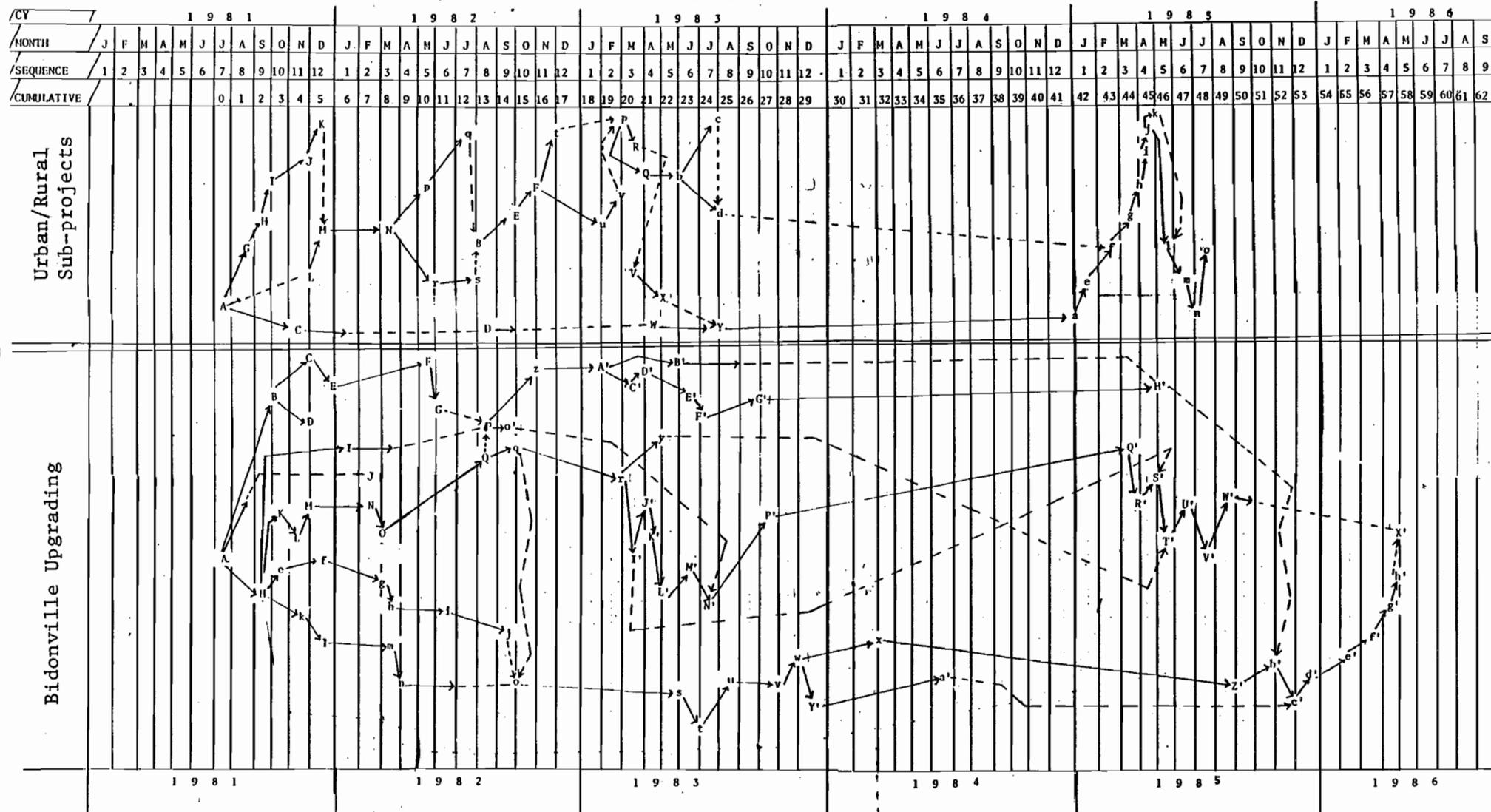
Life of Project: \_\_\_\_\_ to FY \_\_\_\_\_  
 From FY \_\_\_\_\_ to FY \_\_\_\_\_  
 Total U. S. Funding \$65.387 million  
 Date Prepared: July 15, 1981

Morocco  
 Project Title & Number: Second Housing Guaranty Loan 608-HG-002

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Improve shelter and community conditions for below median income families throughout Morocco.</p>	<p>Measures of Goal Achievement:</p> <p>Significant improvement in housing indicators nationwide by end of project period.</p>	<p>Records of MHAT and comparison of 1981 and 1991 census data.</p>	<p>Assumptions for achieving goal targets:</p> <p>GOM's five year plan and budget emphasize suitable shelter solutions for below median income families.</p> <p>Solutions proposed are acceptable to MHAT beneficiaries and they participate willingly in program.</p>
<p>Project Purpose:</p> <ol style="list-style-type: none"> <li>To develop effectively functioning programs including associated social and economic infrastructure for the: a) petit and moyen bidonville program; b) urban core housing program; c) rural core housing program; and d) upgrading of bidonvilles in Mohammedia and Tetouan.</li> <li>To strengthen the administrative and financial capacity of MHAT so that it can implement this and similar programs.</li> </ol>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> <li>a) At least 120 neighborhoods have benefitted from programs.</li> <li>At least 17 neighborhoods have benefitted from program.</li> <li>At least 300 neighborhoods have benefitted from program.</li> <li>At least 83,000 people in Mohammedia and Tetouan have benefitted from program.</li> <li>a. Number and effectiveness of MHAT's interventions increase over period of program implementation.</li> <li>93.5% of capital costs recovered.</li> </ol>	<ol style="list-style-type: none"> <li>AID, MHAT, and cooperating agencies.</li> <li>Records of MHAT and AID.</li> </ol>	<p>Assumptions for achieving purpose:</p> <p>Sufficient staff and budgeting resources available. Adequate coordination maintained among participating agencies. Technical support programs implemented on schedule. Cost recovery and collection procedures enforced.</p>
<p>Outputs:</p> <ol style="list-style-type: none"> <li>Following projects completed:           <ol style="list-style-type: none"> <li>small and medium sized bidonville upgrading program</li> <li>urban core housing program</li> <li>rural core housing program</li> <li>Mohammedia and Tetouan bidonville upgrading</li> </ol> </li> <li>Creation in MHAT and DRHATs of organizational units to administer large bidonville, PMB, urban, and rural programs.</li> </ol>	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> <li>46,000 people in 18 neighborhoods have benefitted from program.</li> <li>11,000 people in 17 neighborhoods have benefitted from program.</li> <li>16,000 people in 47 neighborhoods have benefitted from program.</li> <li>83,000 people in Mohammedia and Tetouan have benefitted from program.</li> </ol> <ol style="list-style-type: none"> <li>Units functioning as planned.</li> </ol>	<ol style="list-style-type: none"> <li>Records of MHAT</li> <li>Records of MHAT</li> </ol>	<p>Assumptions for achieving outputs:</p> <p>Adequate budgetary resources available.</p> <p>MHAT able to recruit sufficient qualified personnel.</p> <p>MHAT able to recruit sufficient qualified personnel.</p>
<p>Inputs:</p> <ol style="list-style-type: none"> <li>HG Program Loan</li> <li>GOM contribution</li> <li>Beneficiaries' contributions</li> <li>Communes' contribution</li> <li>DG for technical assistance and training</li> </ol>	<p>Implementation Target (Type and Quantity)</p> <ol style="list-style-type: none"> <li>US \$65.0 million loan</li> <li>US \$16.6 million</li> <li>US \$5.3 million</li> <li>US \$3.1 million</li> <li>US \$387 million</li> </ol>	<ol style="list-style-type: none"> <li>Records of AID</li> <li>Records of Ministry of Finance, MHAT and AID.</li> <li>Records of MHAT and AID.</li> <li>Records of communes, MHAT and AID.</li> <li>Records of AID and MHAT.</li> </ol>	<p>Assumptions for providing inputs:</p> <p>Progress of project sufficient to allow subsequent HG authorizations.</p> <p>GOM and communes' inputs are budgeted and committed to project in a timely manner.</p> <p>Beneficiaries able and willing to make down payments.</p> <p>DG resources are available and committed to project.</p>

BEST AVAILABLE COPY

SCALED PERT CHART PROJECT 608-HG-002



Although initiation of each program will be at different times (PMB and Urban Core in early FY 82, Rural Core in Mid FY 82, and Mohammedia and Tetouan in FY 83), implementation times remain the same.

TABLE I

ACTIVITIES NECESSARY FOR RURAL/URBAN PROGRAMS

<u>RESPONSIBLE</u>	<u>ACTIVITY LETTERS</u>	<u>DESCRIPTION OF ACTIVITY</u>	<u>DURATION MONTHS</u>
MHAT & AID	A-B	Review HG-002 PP and approve max. cost and sales prices of shelter solutions	2.5
MOF & AID	A-C	Negotiate and sign HG-002 IA	4.0
MOF & Investors	C-D	Negotiate & sign HG-002 A Loan Agreement	2.0
MOF & Investors	A-L	Sign HG-001 L.A. and MOF receives first disbursement	0.5
MOF	L-M	Disburse HG-001 funds to MHAT for HG-002 demand study and other	0.5
MHAT	A-G	Drafts scopes for urban and rural demand studies	1.0
RHUDO	G-H	Reviews/approves scopes for urban/rural demand studies	1.0
MHAT	H-I	Prepares RFP's for surveyor teams to conduct urban/rural demand studies	0.5
MHAT	I-J	Requests proposals for rural and urban demand studies	2.0
MHAT	J-K	Selects contractors which provide surveyors for each study	0.5
MHAT	M-N	Prepares funding account for demand study contracts	3.0
Contractor	N-p	Performs urban demand survey	2.0
MHAT	p-q	Analyzes and publishes survey findings and relevant urban selection criteria	2.0
Contractor	N-r	Conducts rural demand study on pilot basis	2.5
MHAT	r-s	Analyzes and publishes demand survey results and relevant criteria	2.0

<u>RESPONSIBLE</u>	<u>ACTIVITY LETTERS</u>	<u>DESCRIPTION OF ACTIVITY</u>	<u>DURATION MONTHS</u>
MHAT	B-E	MHAT prepares and submits to RHUDO criteria for prioritization of urban and rural site selection	2.0
RHUDO	E-F	Reviews and approves MHAT's criteria for site selection: urban and rural	1.0
MHAT	F-t	Selects cities where urban initiative to be done and determines volume per city	1.0
MHAT Delegates	F-u	Apply rural criteria to their regional delegations and submit findings to MHAT	3.0
MHAT	u-v	Selects towns where modified rural unit to be built and determines volume per town	1.0
Delegates	P-Q	Select sites and secure land title	1.0
Delegates	P-R	Draft up lot plans, prototypes, network, contractors' scopes and estimates	0.5
MOF	D-W	Disburses first advance from HG-002A L.A. to MHAT (for rural/urban housing)	1.0
Delegates	V-X	Request construction bids and select winners	1.5
MHAT	W-Y	Secures funds for winners	3.0
Contractors	Y-a	Build units	17.0
Delegates	Q-b	Announce program and receive applications	2.0
Delegate	b-c	Studies and reviews application (2 mon. more)	2.0
Governor	b-d	Calls selection commission 2 months after last app. received and establishes priority list.	0.25
Delegates	a-e	Establish final costs and sales prices	0.5

<u>RESPONSIBLE</u>	<u>ACTIVITY LETTERS</u>	<u>DESCRIPTION OF ACTIVITY</u>	<u>DURATION MONTHS</u>
Delegates	e-f	Communicate to priority purchasers sales price and required downpayment	1.0
Purchasers	f-g	Deposit down payment	1.0
Delegates	g-h	Establish list of definitive purchasers	0.5
GOM & Purchaser	h-i	Sign sales contract	0.25
Bank & Purchaser	i-j	Sign loan contract	0.25
Purchasers	j-k	Receive keys	0.25
BCP	j-l	Submits to MHAT and MOF list of loan recipients and values	1.0
MOF	l-m	Requests RHUDO approval of list and disbursement of AID's share minus advances	1.0
RHUDO	m-n	Approves request	0.75
Investors	n-o	Disburse from HG-002	0.25

58

TABLE IIACTIVITIES NECESSARY FOR BIDONVILLE UPGRADING PROGRAM

<u>RESPONSIBLE</u>	<u>ACTIVITY LETTER</u>	<u>DESCRIPTION OF ACTIVITIES</u>	<u>DURATION MONTHS</u>
MHAT & RHUDO	A-B	Review HG-002 PP and approve max. cost & sales price of bidonville solutions & selection criteria	2.5
MHAT	B-C	Prepares & submits to RHUDO criteria for prioritization of site selection	2.0
MHAT	B-D	Completes new questionnaire for delegates to complete	2.0
RHUDO	C-E	Reviews and approves MHAT's criteria for site selection	1.0
Delegates	E-F	Fill out and return new questionnaire if they wish to be included in the bidonville program	4.5
MHAT	F-G	Selects priority sites based on criteria matrix	0.5
MHAT & AID	H-I	Negotiate & sign HG-002 I.A.	4.0
MOF & Investors	A-J	Sign HG-001 L.A. and MOF receives first disbursement	0.5
MHAT	H-K	Drafts Scopes for socio-economic analysis of bidonvilles selected	1.0
RHUDO	K-L	Approves Scope of socio-economic analysis proposed by MHAT	1.0
MHAT	L-M	Prepares RFP for socio-economic analysis	0.5
MHAT	M-N	Requests proposals for socio-economic study	2.5
MHAT	N-O	Selects contractor(s) for socio-economic study	0.5
MOF	J-O	Disburses to MHAT funds to finance socio-economic studies	0.5
Contractor	O-Q	Performs socio-economic survey and submits report to MHAT and RHUDO	5.0

<u>RESPONSIBLE</u>	<u>ACTIVITY LETTER</u>	<u>DESCRIPTION OF ACTIVITIES</u>	<u>DURATION MONTHS</u>
MHAT	H-e	Drafts Scope for aerial photography of sites	1.0
MHAT	e-f	Prepares RFP for aerial photography of sites	2.0
MHAT	f-g	Requests and receives proposals for aerial photography of sites	2.5
MHAT	g-h	Selects contractor(s) for upgrading aerial photography	0.5
MHAT	h-i	Opens account for aerial photography contractor	3.0
Contractor	i-j	Makes and delivers aerial photography	3.0
MHAT	h-k	Develops scope for upgrading A&E work	2.0
MHAT	k-l	Prepares RFP for upgrading A&E work	1.0
MHAT	l-m	Requests and receives proposals for A&E work	3.0
MHAT	m-n	Selects contractor(s) for A&E work	0.5
MHAT	m-o	Opens account for A&E firms	3.0
MOF/Investors	I-p	Negotiate and sign HG-002A L.A.	2.0
Delegates	p-q	Make rough topographic sketch for their bidonvilles to review any title disputes	1.5
Delegates	q-r	Secure land title via expropriation	5.0
Contractors	o-s	Perform and submit A&E work	8.0
Delegates	s-t	Draft scope for upgrading contracts in each neighborhood	1.0
Delegates	t-u	Prepare RFP for upgrading work	1.5
Delegates	u-v	Request and receive construction bids for upgrading	2.5
Delegates	v-w	Select winners	1.0
Delegates	w-x	Opens accounts with MHAT for upgrading contractors	3.0

<u>RESPONSIBLE</u>	<u>ACTIVITY LETTER</u>	<u>DESCRIPTION OF ACTIVITIES</u>	<u>DURATION MONTHS</u>
MHAT	r-y	Works with Service des Domaines to establish eventual title documents for bidonvillois	2.0
Commune	p-z	Secures land for needed community facilities	2.5
Delegate/Commune	z-A'	Secure budget for needed community facilities	3.0
Commune	A'-B'	Request from MSP, MEN, and MOI equipment and staff for community facilities	4.0
Delegates	A'-C'	Prepare scope for construction of communities facilities	1.5
Delegates	C'-D'	Prepare RFP for community facilities	0.5
Delegates	D'-E'	Request and receive proposals for community facilities	2.5
Delegates	E'-F'	Select winners	0.5
MHAT	F'-G'	Opens account for them	3.0
Contractors	G'-H'	Build community facilities	19.0
Ministries	B'-H'	Staff and equip their community facilities	3.0
Delegate/Local Leaders	s-r	Advise/determine which bidonvillois must be resettled for public right-of-ways and public health considerations	1.0
Governor & Delegate	r-I'	Establish firm commitment list for those to be resettled	0.5
Delegate	r-J'	Selects resettlement site & secures land title	1.0
Delegates	J'-K'	Drafts lot plan, network, contractors' scope & estimates	0.5
Delegates	K'-L'	Prepares RFP for resettlement area	0.5
Delegate	L'-M'	Requests and receives proposals for resettlement area construction	2.0

<u>RESPONSIBLE</u>	<u>ACTIVITY LETTER</u>	<u>DESCRIPTION OF ACTIVITIES</u>	<u>DURATION MONTHS</u>
Delegate	M'-N'	Selects winners	0.5
MOF	p-O'	Receives advance from HG-002 disbursement	1.0
MHAT	N'-P'	Opens account for winners of resettlement area contracts	3.0
Contractors	P'-Q'	Develop resettlement areas for bidonvillois	17.0
Delegates	Q'-R'	Establish final cost & sales prices for resettlement area	0.5
Resettled Bidonvillois	R'-S'	Make deposit	1.0
Bidonvillois	S'-T'	Execute sales contract, loan, receive keys, qualified land title	0.5
BCP & CNCA	T'-U'	Submit to MHAT & MOF resettlement loan list & values	1.0
MOF	U'-V'	Requests RHUDO approval of loans & disbursements of AID's share minus advances	1.0
RHUDO	V'-W'	Approves disbursement request on resettlement plots	1.0
Investors	W'-X'	Disburse to MOF	0.5
MHAT	p-w	Receives advances via MOF/MHAT for utility company and contractor advances for bidonville work	1.0
Delegates/Local Leaders	w-Y'	Announce & explain program	1.0
MHAT	w-x	Opens accounts for bidonville upgrading contractors	3.0
Contractors	x-Z'	Upgrade: sewer, water, lights, streets	18.0
BCP & CNCA	Y'-a'	Savings campaign	6.0
Delegates	Z'-b'	Establish final costs & prices for bidonville improvements	2.0
Bidonvillois	b'-c'	Deposit down payments	1.0

62

<u>RESPONSIBLE</u>	<u>ACTIVITY LETTER</u>	<u>DESCRIPTION OF ACTIVITIES</u>	<u>DURATION MONTHS</u>
Bidonvillois	c'-d'	Sign land sale, upgrading loan, and receive qualified title	0.5
BCP & CNCA	d'-e'	Submit to MHAT & MOF list of up- grading loan beneficiaries & total loan value	2.0
MOF	e'-f'	Requests RHUDO approval of loans & disbursement of AID's share of sub- project minus advances and progress payments	1.0
RHUDO	f'-g'	Approves request	1.0
Investors	g'-h'	Disburse balance due	0.5

045147 | 21220<sub>2</sub>Z FEB 1 |

UNCLASSIFIED

AID/DS/H:SGIDDINGS:SFBG  
2/6/81 EXT 23351  
AID/A-AA:AUHITE

AID/GC/H:BDAVIS  
AID/NE/DP:BLANGMAID  
AID/NE/TECH:LREADE  
AID/GC/NE:T CARTER {SUB}

AID/DS/H:DMCVOY  
AID/NE/PD:RBELL  
AID/NE/NENA:JPHIPPARD  
AID/PPC/PB:LMARSHALL

OIRGIN HQ INFO CH & AANE NEDP NEPD NETC NENA PPEA PPCE PDPR PPPB GC  
GCFL GCNE OM FHLB STA HUD SMO 9M-DD END  
ROUTINE RABAT

ROUTINE TUNIS

AIDAC

E.O. 12065: N/A

TAGS:

SUBJECT: NEAC REVIEW OF PID, MOROCCO LOW COST HOUSING  
PROGRAM, 608-HG-002

1. NEAR EAST ADVISORY COMMITTEE (NEAC) CONSIDERED PID FOR  
NEW HOUSING GUARANTY PROGRAM ON 22, JANUARY, 1981.

2. NEAC APPROVED PID AND RECOMMENDED DS/H REFINE THE  
PROGRAM AND DEVELOP A PROJECT PAPER. AS PROGRAM ADVANCES,  
NEAC REQUESTS THAT DS/H ADVISE AID/W PROJECT COMMITTEE OF  
PROGRESS ON KEY ISSUES INCLUDING DEFINITION OF PROJECT  
COMPONENTS, INSTITUTIONAL IDENTIFICATION AND CAPACITY, T.A.  
REQUIREMENTS AND COST RECOVERY/SUBSIDIZATION (SEE BELOW).  
~~NEAC SEES A SERIES OF APPROVALS OF VARIOUS COMPONENT PARTS  
AS SUB PROJECTS ON A TIME PHASED BASIS.~~

3. IT WAS RECOGNIZED THAT PID LAYS OUT A BROAD CONCEPTUAL  
APPROACH TO AMELIORATING HOUSING CONDITIONS IN MOROCCO AND  
THAT A MORE COMPLETE DEFINITION OF THE SHELTER PROBLEM AND  
CONSIDERABLE REFINEMENT OF EACH COMPONENT PART OF THE  
PROPOSED SOLUTION WILL BE REQUIRED DURING PREPARATION OF  
PP. RHUDO/TUNIS EXPLAINED TO NEAC THAT A PROGRAM AS BROAD  
AS THIS COULD BE HELPFUL IN GETTING GOM TO ADDRESS OVERALL  
HOUSING POLICY ISSUES AND THAT INCREASED GOM FINANCIAL

BEST AVAILABLE COPY

UNCLASSIFIED

64

UNCLASSIFIED

SUPPORT MIGHT BE ENCOURAGED IF AID SUPPORTS A COMPREHENSIVE PROGRAM. NEAC FELT PID LACKED A CLEAR SENSE OF OVERALL STRATEGY IN DEALING WITH PROJECT PURPOSE AND RECOMMENDED PP PROVIDE A STATEMENT LINKING THE PURPOSE TO A STRATEGY AND A DESCRIPTION OF A PREFERRED SEQUENCE FOR VARIOUS ACTIVITIES IN ACCORDANCE WITH GOM WILLINGNESS AND CAPACITY TO UNDERTAKE AND SUPPORT NEW PROJECT INITIATIVES. IN PLANNING PHASED DEVELOPMENT OF AID'S HOUSING ASSISTANCE PROGRAM, NEAC OBSERVED THAT GIVEN EARLY STAGE OF BEN M'SIK PROJECT, IT MIGHT BE ADVISABLE TO FIRST DEVELOP SMALL MARKET COMPONENT OF PROGRAM, WITH FOLLOW-ON LARGE AND MEDIUM/SMALL BIDONVILLE COMPONENTS SCHEDULED LATER. THIS WOULD FACILITATE USE OF EXPERIENCE GAINED IN BEN M'SIK AND IBRD BIDONVILLE PROJECTS PRESENTLY UNDERWAY. ALTHOUGH THE PID INCLUDED ALL THREE COMPONENTS WITHIN THE SCOPE OF ONE PROJECT, DEPENDING UPON FINDINGS OF PROJECT DEVELOPMENT TEAM, IT MIGHT BE ADVISABLE TO CREATE TWO DISCRETELY IDENTIFIED SEQUENCES WITH TWO PROJECT PAPERS IF APPROPRIATE, THE FIRST DEALING WITH THE RURAL MARKET CENTER AND THE SMALL AND MEDIUM SIZED BIDONVILLE COMPONENTS AND A SECOND DEALING WITH THE LARGER BIDONVILLES. RHUDO/TUNIS NOTED THAT PP WILL SET OUT CRITERIA FOR TARGET GROUP IDENTIFICATION, SITE SELECTION, SITE DESIGNS, AND COSTS, BUT THAT THE SPECIFIC LOCATION OF SOME PROJECT COMPONENTS, E.G. SMALL BIDONVILLES AND RURAL MARKET CENTERS MAY NOT BE DETERMINED UNTIL AFTER PROJECT IS AUTHORIZED.

BEST AVAILABLE COPY

4. IMPORTANCE OF AFFORDABILITY OF VARIOUS HOUSING SOLUTIONS AND NECESSITY TO KEEP CONSTRUCTION STANDARDS AT APPROPRIATE LEVELS WERE STRESSED. NEAC ALSO EMPHASIZED NEED TO ADDRESS COST RECOVERY MECHANISMS AND SUBSIDIES DURING PROJECT DEVELOPMENT. PP SHOULD DISCUSS THIS CONCERN AND PROPOSE MEANS TO ENSURE AFFORDABILITY AND COST RECOVERY IN DETAIL.

5. INSTITUTIONAL CAPACITY OF GOM TO IMPLEMENT AND SUBSEQUENTLY MAINTAIN PROGRAM IS OF MAJOR CONCERN. PP SHOULD CLEARLY IDENTIFY WHICH ORGANIZATIONS AND JURISDICTIONS WILL BE RESPONSIBLE FOR EACH OF THE VARIOUS PROJECT COMPONENTS AND CAREFULLY ASSESS CAPABILITY OF THOSE ORGANIZATIONS TO ASSURE THAT PROPOSED FUNDING LEVEL CAN BE UTILIZED EFFECTIVELY WITHIN PROJECT PERIOD. STRATEGIES SHOULD BE IDENTIFIED FOR OVERCOMING ANY PROBLEMS IDENTIFIED.

6. GIVEN SIZE AND COMPLEXITY OF PROPOSED PROGRAM, GOM INSTITUTIONAL CAPACITY QUESTIONS AND SPECIFIC INSTITUTIONAL DEVELOPMENT NEEDS IDENTIFIED IN CONNECTION WITH BEN M'SIK PROJECT, NEAC FELT ADDITIONAL TECHNICAL

65

UNCLASSIFIED

| 3

ASSISTANCE OR TRAINING INPUTS MAY BE IMPORTANT TO SUCCESS OF PROPOSED PROGRAM. NEAC ASKED THAT ISSUE BE THOROUGHLY EXAMINED DURING EARLY STAGES OF PP DEVELOPMENT SO THAT ANY REQUIREMENT FOR BUREAU FUNDING COULD BE IDENTIFIED AS SOON AS POSSIBLE. TA DISCUSSION SHOULD TAKE ACCOUNT OF RESIDENT ADVISOR TO HOUSING MINISTRY AND RELATED SHORT TERM SERVICES TO BE PROVIDED AS A SOURCE OF EXPERTISE. NEAC COULD NOT AT THIS POINT SPECULATE ON FUTURE AVAILABILITY OF FUNDS.

7. NEAC REQUESTED PP TEAM REVIEW AND IDENTIFY LESSONS LEARNED FROM HG-001 AND WORLD BANK UPGRADING PROJECTS IN MOROCCO, PARTICULARLY RE INSTITUTIONAL PROBLEMS, COST RECOVERY, HOUSING SIZE AND CONSTRUCTION STANDARDS AND TA AND TRAINING.

8. NEAC QUESTIONED WHETHER SOCIAL AND ECONOMIC INFRASTRUCTURE DEVELOPMENT SHOULD BE OMITTED FOR THE MOST PART AS A PROJECT ACTIVITY AND LEFT FOR FUTURE GOM COMMITMENTS. THOUGH IT WAS RECOGNIZED THAT NOT ENOUGH IS NOW KNOWN ABOUT THE NEED FOR SUCH DEVELOPMENT AT SPECIFIC PROJECT SITES, IT WAS RECOMMENDED THAT PP ADDRESS PROGRESS OF GOM IN THIS AREA AND EXPLAIN HOW NEEDED ASSISTANCE WILL BE FINANCED. IT WAS SUGGESTED THAT PERHAPS HG LOAN FUNDS MIGHT BE USED FOR THIS PURPOSE IN CERTAIN CASES.

9. NEAC FELT PP SHOULD FULLY DEVELOP AN EVALUATION PLAN WHICH IN ADDITION TO MECHANICS, PARTICIPATION, SCHEDULING, AND FUNDING FOCUSES ON MEASURING ACCOMPLISHMENT OF SPECIFIC GOM POLICY OBJECTIVES WHICH PROPOSED HG PROGRAM SUPPORTS.

10. NEAC REQUESTED THAT APPROPRIATE CP'S BE PUT INTO IMPLEMENTATION AGREEMENT TO PROVIDE FOR AID APPROVAL OF SPECIFIC INSTITUTIONAL, TECHNICAL, SOCIAL AND ENVIRONMENTAL GOALS.

11. RHUDO/TUNIS PROPOSED PROJECT DESIGN TEAM VISIT FOR 4-5 WEEKS BEGINNING APRIL. 84.

BEST AVAILABLE COPY

UNCLASSIFIED

PROGRAM IMPLEMENTATION SCENARIO

LIFE OF PROGRAM ALLOCATION PLAN

Authorization Year  Project	81			82			83			84			85			T O T A L S		
	HG	MOR	TOT	HG	MOR	TOT	HG	MOR	TOT	HG	MOR	TOT	HG	MOR	TOT	HG	MOR	TOT
Petit et Moyen Bidonvilles (PMB)	6.0	2.0	8.0	3.0	1.9	4.9	3.0	1.0	4.0	1.7	1.0	2.7	1.7	0.7	2.4	15.4	6.6	22.0
Urban Core Housing	3.0	1.2	4.2	2.0	.9	2.9	1.5	0.7	2.2	1.0	0.4	1.4	1.1	0.3	1.4	8.4	3.6	12.0
Rural Core Housing	0	0	0	7.0	3.3	10.3	2.5	1.0	3.5	1.5	0.6	2.1	1.6	0.5	2.1	12.8	5.2	18.0
Mohammedia	0	0	0	0	0	0	2.0	1.0	3.0	1.4	0.5	1.9	7.8	3.3	11.1	11.2	4.8	16.0
Tetouan	0	0	0	0	0	0	2.0	1.0	3.0	1.4	0.5	1.9	7.8	3.3	11.1	11.2	4.8	16.0
Technical Support	2.0	0	2.0	2.0	0	2.0	1.0	0	1.0	1.0	0	1.0	0	0	0	6.0	0	6.0
TOTAL	11.0	3.2	14.2	14.0	6.1	20.1	12.0	4.7	16.7	8.0	3.0	11.0	20.0	8.1	28.1	65.0	25.0	90.0

67

ADMINISTRATIVE STAFFING PLAN

PROJECT	Existing Staff				N E W				S T A F F																Sub-Total			TOTAL					
	M	D	L	T	81				82				83				84				85				M	D	L						
					M*	D	L	T	M	D	L	T	M	D	L	T	M	D	L	T	M	D	L	T									
Petit et Moyen Bidonvilles (PMB)	5	0	0	5	6	5	0	11	0	10	3	13	0	0	3	3	0	0	0	0	0	0	0	0	0	0	0	0	11	15	6	32	
Urban Core Housing	0	0	0	0	3	6	1	10	0	12	5	17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	18	6	27		
Rural Core Housing	1	0	0	1	6	5	0	11	4	10	3	17	0	0	10	10	0	0	3	3	0	0	0	0	0	0	11	15	16	42			
Mohammedia	AS OF 82 EXISTING CASA DEL STAFF				0	→			0	0	0	1	1	0	0	1	1	0	0	0	0	NEW STAFF TO BE HIRED											
TETOUAN	AS OF 82 EXISTING TET. DEL STAFF				→				0	0	1	1	0	0	1	1												NEW STAFF TO BE HIRED					
TOTAL	6	0	0	6	15	16	1	32	4	32	12	48	0	0	15	15	0	0	4	4	0	0	0	0	25	48	28	101					

\* M = CENTRAL MINISTRY  
D = DELEGATION  
L = LOCAL LEVEL  
T = TOTAL

98

MOROCCO  
ECONOMIC OVERVIEW

The Moroccan economy is characterized by a fundamental imbalance between a demographically small but highly productive modern industrial sector and a large agricultural sector. Nearly two-thirds of the population is engaged in agriculture, which accounts only for about 25 percent of the country's gross domestic product (GDP).

The agricultural sector plays a crucial role in the Moroccan economy, supplying much of the country's domestic food requirements and 33 percent of total merchandise exports. Within the sector itself, however, are great extremes of productivity. About 35 percent of Morocco's agricultural land -- held by three percent of the farming population -- is utilized in large-scale farm operations. These modernized agrobusiness operations produce over 85 percent of commercial production, including most all of the citrus fruit, fresh and processed fruits and vegetables, and other agricultural export products. In spite of the application of modern agricultural technology to cultivation of the most promising export products, agriculture remains greatly dependent on Morocco's frequently extreme variations in annual rainfall. In addition, the vast majority of Moroccan farms are small and family operated, and primitive methods of cultivation produce low yields.

Chronic agricultural shortfalls in recent years have placed a considerable burden on Morocco's external trade balance. Agricultural export revenues covered only about 80 percent of agricultural import costs in 1978. The importance of the agricultural sector is underscored by the close relationship between the quality of the annual harvest and gross national product growth rates. The disastrous harvest in 1977 was an important contributing factor to that year's sluggish GNP growth; the only average 1978 harvest and slightly below average 1979 crops have been a drag on GNP growth.

In spite of the critical importance of the agricultural sector in the Moroccan economy, Morocco's economic planners have based their economic development strategy primarily on rapid industrialization, a major element of which is the exploitation and domestic processing of its potentially vast mineral wealth.

Its phosphates industry, in terms of current production, export revenues, estimated reserves, and projected utilization, is Morocco's most important economic asset. Morocco has over 70 percent of the world's proven phosphate deposits and is the world's largest phosphate exporter. It presently trails the United States and the Soviet Union in total production. Over the long term, Morocco's planners hope to stimulate overall economic development on the basis of its phosphate industry.

Partly on the basis of these high expectations, the government embarked on an ambitious, and largely foreign-financed, capital-intensive development program. In 1973, when world phosphate prices soared 450 percent, the economy experienced a boom.

(Nonetheless some observers believe that Morocco's increasing industrialization will generate an even greater growth rate, perhaps ten percent annually, in coming years.) The GOM also plans to develop its internal energy resources on a number of fronts. It hopes to increase exploitation of coal, hydropower, and renewable energy; to discover petroleum off the Atlantic Coast and in the Rif Mountains; to exploit its considerable shale oil deposits in cooperation with both the Soviet Union for direct combustion applications and Occidental Petroleum using its patented in-situ process; and to extract uranium from phosphoric acid.

The GOM has begun preparation of the 1981-85 Five Year Plan, which should intensify their capital and infrastructure development, based on Morocco's traditional engine of growth, mining, especially phosphates and phosphoric acid processing. Major operations will continue at Benguerir, Safi, Jorf Lasfar, and Meskala, the last with Soviet cooperation. Future policies will encourage import substitution industries, continuing efforts already under way in key sectors such as cement and sugar processing, and export industries. Priority will be given to development of tourism, port projects, and dams and irrigation.

Future economic plans will also pay closer attention to the social problems and structural defects in the Moroccan economy. Because of the ominous demographic trends (an annual population growth of more than three percent; one-half of the population under 25 years of age) employment generation will become a more pressing consideration in the government's future industrial planning. For example, the Labor Ministry's budget has been doubled for 1970 to cover the cost of six new technical training schools. Government plans also call for the creation of 47,000 new jobs in 1980 which represents about 25 percent of the annual requirement. The attempt to lessen economic inequalities will continue.

Economic policies will include tax incentives to encourage investment in less developed regions of the country in order to slow the rural-urban migration that creates tensions in cities like Casablanca. Agricultural productivity must be strengthened, especially as Spain and Portugal with their competing economies get closer and closer to the EEC. The large amounts of grain and other staple commodities now imported are a serious drain on Morocco's balance of payments. Finally, the country's basic dependence on imports, export markets and external capital flows will demand careful financial and economic management by the Moroccan government.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
BUREAU FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

GUARANTY AUTHORIZATION

PROJECT NO. 608-HG-002

PROVIDED FROM : Housing Guaranty Authority

FOR : The Kingdom of Morocco

Pursuant to the authority vested in the Assistant Administrator, Bureau for Near East, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 of the FAA of Seventeen Million United States Dollars (\$17,000,000) for fiscal year 1982, assuring against losses not to exceed one hundred percent (100%) of loan investment and interest with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D., made to finance a low income housing program in Morocco. These guaranteed loans shall be made to the Kingdom of Morocco to finance low income housing as part of its expanding program to provide long-term financing of homes on a non-subsidized basis at market rates of interest.

These guaranties shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans shall extend for a period of up to thirty (30) years from the date of disbursement and may include a grace period of up to ten (10) years on repayment of principal. The guaranties of the loans shall extend for a period beginning with disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.
3. The Kingdom of Morocco Guaranty: The Kingdom of Morocco shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranties to the Investor or from non-payment of the guaranty fee.

BEST AVAILABLE COPY

71

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1%) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.
5. Other Terms and Conditions: The guaranties shall be subject to such terms and conditions as A.I.D. may deem necessary:

---

W. Antoinette Ford  
Assistant Administrator  
Bureau for Near East

---

Date

Clearances:

DAA/NE:BLangmaid \_\_\_\_\_ Date \_\_\_\_\_  
NE/PD:ATaubenblatt \_\_\_\_\_ Date \_\_\_\_\_  
NE/TECH:LReade \_\_\_\_\_ Date \_\_\_\_\_  
NE/NENA:JPhippard \_\_\_\_\_ Date \_\_\_\_\_  
GC/NE:BJanigan \_\_\_\_\_ Date \_\_\_\_\_  
PRE/H:PKimm \_\_\_\_\_ Date \_\_\_\_\_

GC/H:DKWINKLER:prj:08/12/81

GUARANTY AUTHORIZATION

PROJECT NO. 608-HG-002

PROVIDED FROM : Housing Guaranty Authority

FOR : The Kingdom of Morocco

Pursuant to the authority vested in the Assistant Administrator, Bureau for Near East, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 of the FAA of Eight Million United States Dollars (\$8,000,000) for fiscal year 1982, assuring against losses not to exceed one hundred percent (100%) of loan investment and interest with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D., made to finance a low income housing program in Morocco. These guaranteed loans shall be made to the Kingdom of Morocco to finance low income housing as part of its expanding program to provide long-term financing of homes on a non-subsidized basis at market rates of interest.

These guaranties shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans shall extend for a period of up to thirty (30) years from the date of disbursement and may include a grace period of up to ten (10) years on repayment of principal. The guaranties of the loans shall extend for a period beginning with disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.
3. The Kingdom of Morocco Guaranty: The Kingdom of Morocco shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranties to the Investor or from non-payment of the guaranty fee.

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1%) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.
5. Other Terms and Conditions: The guaranties shall be subject to such terms and conditions as A.I.D. may deem necessary:

---

W. Antoinette Ford  
Assistant Administrator  
Bureau for Near East

---

Date

Clearances:

DAA/NE:BLangmaid \_\_\_\_\_ Date \_\_\_\_\_  
NE/PD:ATaubenblatt \_\_\_\_\_ Date \_\_\_\_\_  
NE/TECH:LReade \_\_\_\_\_ Date \_\_\_\_\_  
NE/NENA:JPhippard \_\_\_\_\_ Date \_\_\_\_\_  
GC/NE:BJanigan \_\_\_\_\_ Date \_\_\_\_\_  
PRE/H:PKimm \_\_\_\_\_ Date \_\_\_\_\_

GC/H:DKWINKLER:prj:08/12/81

PROJECT SELECTION CRITERIA

The following table sets forth the criteria for site selection and should be read in conjunction with Supplementary Paper II: Housing Solution Guidelines. Even though they are quantitative and the system of rates attempts to be objective, judgements will often be difficult to make. Nevertheless, the following system provides a method of classification and of ranking by a weighted coefficient rating. (Multiply the coefficient by the rate to find the value. The sum of all values represents the weighted coefficient rating. The highest rating indicates the highest priority.)

TECHNICAL CRITERIA

	Rate:	Coef:	Value
1) Insalubrity	:	5	:
2) Density	:	5	:
3) Precariousness	:	3	:
4) Difficult Site	:	2	:
5) Distance from	:	:	:
Center of Town	:	1.5:	:
6) Social Service	:	1.5:	:

---

 18
ADMINISTRATIVE CRITERIA

	Rate:	Coef:	Value
7) Struc.Tech/Admin	:	5	:
8) Relocation Area	:	3.5:	:
9) Local Authorities Coop- eration & Coordination	:	3.5:	:
10) State of Project Devpmt.	:	3.5:	:
11) Land Title	:	2.5:	:
12) Interministerial Coordi- nation	:	1.5:	:
13) Eval. of Development Plan	:	1	:

---

 20.5

	Rate		Rate
(1) Flat, Marsh, High flood plain	5	(2) > 1200 inhabitant/hectare	5
flat, rocky	4	> 900 " "	4
inclined, expansive soils	3	> 700 " "	3
inclined, rocky	2	> 600 " "	2
good drainage, rocky	1	> 500 " "	1
(3) Shelters of salvagable materials 80%	5	(4) unadaptable	5
> 60 but 80%	4	upgradable	4
> 40 but 60	3	acceptable	3
> 20 but 40	2	good	2
20%	1		

75

(5) Within city limits	5	(6) Sufficient social services	5
At edge of city	4	Below s.s. standards	4
Outside city limits	3	Below accepted ss activities	3
Distant from city	2	Non-existent	0
Isolated	1		
(7) 1 arch. 1 eng. 1 mid level technician		(8) Adjoining	5
1 sociologist	5	Neighboring	4
1 arch. 1 mid level technician		Distant	3
1 sociologist	4	Isolated	2
1 arch. or 1 eng. plus 1 mid level technician	3		
1 arch. or 1 eng.	2		
Below standards	0		
(9) Complete agreement	5	(10) Complete project document	5
Proposal of various modifications	4	Loan package stage	4
Familiarity of project	2	Preliminary design	3
Uninterested in project	0	Sketchy details	2
		Study completed	1
		No information	0
(11) Property of MHAT or inhabitants	5	(12) Intraministerial approval	5
State	4	Partial approval	3
Collective	3	No agreement	0
Municipal	2		
Private	1		

(13) Development Plan approved	5
Submitted	4
Preliminary design	3
Study	2
No information	0

TECHNICAL ASSISTANCE PLAN

## MOROCCO HG-002

I. <u>HG FUNDED</u>	(\$ millions)	
	<u>FY 1982</u>	<u>FY 1983</u>
1. Socio-Economic survey of 27 bidonvilles to provide MHAT with accurate socio-economic information for each bidonville to be upgraded with HG-002 funding.	.056	----
2. Effective Demand Study for urban initiative sub-project to determine relative need & effective demand in each city over 100,000 so as to decide number of urban solution to provide per city.	.225	----
3. Pilot demand study to establish selection criteria for modified rural program to provide all MHAT delegations with rural selection criteria via an example of 1 province's rural center. MHAT will develop a nation-wide criteria matrix & request other delegations to use it.	.188	----
4. Mini-computer for project management to provide MHAT Central Project Unit with fast recall, easily updated project accounts. Software, programs, 1 month general instruction, maintenance.	.110	.011
5. Resident Advisors to MHAT to provide Sr. level and administration to the HG-002 effort and start-up advice to the ALCB (six senior level in FYs 82-83 and four senior foremen in FY 83).	.369	.708
6. Accounting services to assist MHAT, ALCB, and Regional Delegations establish accounting control system (analytic); help above prepare HG disbursements in a timely fashion.	.090	----
7. A&E detailed work in preparation for contractor bids to provide contractor support to regional delegations who have drawn up preliminary plans.	.600	.397
8. Aerial Photography to provide MHAT and A&E with up-to-date site maps (1/200 and 1/500) also help Service des Domaines prepare sales documents for beneficiaries.	.100	.341
9. Technical services related to the large bidonville upgrading programs in Mohameddia and Tetouan.	.262	.543
Total (first tranche)	<u>2.000</u>	<u>2.000</u>

Subsequent HG authorizations in FYs 1983 and 1985 of \$1 million each for technical support will continue to finance maintenance of the mini-computer (number 4 above), the services of resident advisors (5), architectural and engineering work (7), aerial photography (8), and technical services related to the large bidonville upgrading programs in Mohammedia and Tetouan (9).

<u>II. DG FUNDED</u>	(\$ millions) <u>FY 1983-85</u>
1. Guest lectures to the MHAT technical assistant schools to orient students to bidonville phenomenon, provide teaching materials, and develop personnel for HG-002 project.	.193
2. Four month upgrading courses to train key mid-level MHAT staff in practice of low-cost shelter management to provide improved administrative base for HG-002.	.101
3. Moroccan speakers at international conferences to provide four Moroccan housing speakers from MHAT to a conference per year.	.042
Total	<u>.336</u>
15% Contingency	<u>.051</u>
Grand Total	<u><u>.387</u></u>

### III. TECHNICAL SUPPORT AND ADMINISTRATIVE CAPACITY

One of HMAT's most serious weaknesses is its lack of administrative capability. This problem has been recognized by senior MHAT officials who have specifically requested and support a large technical support component within the proposed HG loan. They agree that this weakness can be overcome only through a major infusion of properly trained and experience staff. In the past, such a change was not possible for a number of reasons, but primarily because government salaries were in no way competitive with those in the private sector. Civilistes, returning students required to work for the government for a specified period, left as soon as their obligations had been fulfilled and promptly joined firms in the private sector. Two factors have recently begun to stem this flow: an increasing number of returning graduates, and the relative decrease in private sector job opportunities. Because of the lack of alternatives, a growing number of civilistes will opt to remain in government service, and this is expected to generate over time a growing core of experienced and dedicated civil servants.

The technical support component (both HG and DG-funded) proposed project attempts to support this new development as well as to assist in the upgrading of existing talent within the Ministry and the introduction of modern

techniques into the Ministry's existing procedures. Sections I and II above outline the skeleton which involves training at every level of MHAT staff (high, middle, and technical assistants) and in a number of disciplines (administration, technical planning and design, construction management, accounting and procurement, and site supervision). This major effort is expected to make MHAT largely self-reliant for its training needs at the end of the five-year period of project implementation.

#### HG FUNDED TECHNICAL SUPPORT

Other than the provision of very specific technical services, the most important training provided under this category is that provided by the resident advisors (item 5), two in the Ministry and four in delegations during the period of the first tranche. These people will be senior administrative advisors with considerable experience in the provision of low cost housing. Due to language and administrative experience requirements, they will probably come from France, Tunisia, Lebanon, or even Morocco. Their responsibilities will entail the design, development, and implementation of low cost housing solutions. Those in the delegations will have the additional responsibility of implementing projects under the general policy guidance of the Ministry. When construction begins in FY 1983, they will be assisted by senior site foremen. All will have as one of their major responsibilities on the job training of their Moroccan counterparts. In this way their number can be reduced over the implementation period so that in five years their presence will no longer be required.

The other two HG funded technical support items which involve training are the mini-computer and accounting services (items 4 and 6). The mini-computer will assist in project management, including accounting, and will assist in the process of creating an administrative discipline throughout the Ministry from management to accounting and procurement. The accounting services will assist the Ministry and its delegations to establish an improved accounting control system (with the help of the mini-computer) to improve accuracy as well as to provide management with the information it needs in a timely fashion to make informed decisions.

#### DG FUNDED TECHNICAL SUPPORT

The DG funded technical support component of this project is devoted entirely to training in one form or another. Assistance to the schools for technical assistants will take the form of guest lectures and the provision of books and materials. These schools teach architectural drafting skills, site planning, geography, mathematics, and mapping. Lower level staff members of MHAT will be chosen from among the top students in these schools (14 in 1983 and 31 in 1984). MHAT has given these schools a high priority, and the quality of its graduates will have a direct impact on MHAT's program.

The upgrading courses will be devised to train junior and mid-level MHAT staff in the theory and practice of low cost housing management, especially upgrading. Staff members with more than 2 1/2 years of experience in this area will be given preference. Finally, attendance at international conferences on housing will provide relatively senior MHAT and

80

delegation officials an opportunity to meet with their colleagues in other countries to discuss matters of common concern.

MHAT officials are eager to move ahead as rapidly as possible with the training programs proposed under the HG project. They are aware of the Ministry's present deficiencies, and the GOM's recent commitment to broaden the base of government program beneficiaries has intensified their commitment.

## THE HOUSING GUARANTY PROGRAM

STATUTORY CHECKLISTMOROCCO608-HG-002

ANSWER YES OR NO PUT  
PP PAGE REFERENCES  
AND/OR EXPLANATIONS  
WHERE APPROPRIATE

## A. General Criteria Under HG Statutory Authority.

Section 221(a)

Will the proposed project further one or more of the following policy goals?

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

Yes

---

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

Yes

---

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

Yes

---

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

Yes

---

Section 222(a)

Will the issuance of this guaranty cause the total face amount of guaranties issued and outstanding at this time to be in excess of \$1,555,000,000?

No

---

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

Yes

(\$17 million in FY 1981)

---

Section 222(b)

Will the proposed guaranty result in activities which emphasize:

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

Yes.

---

82

- (2) projects comprised of expandable core shelter units on serviced sites; or Yes
- (3) slum upgrading projects designed to conserve and improve existing shelter; or Yes (p. 13-14)
- (4) shelter projects for low-income people designed for demonstration or institution building; or Yes
- (5) community facilities and services in support of projects authorized under this section to improve the shelter occupied by the poor? Yes

Section 222(c)

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

Yes

Section 223(a)

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

Yes

Section 223(f)

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

Yes

Section 223(h)

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

Yes

Section 223(j)

- (1) Will the proposed Housing Guaranty be coordinated with and complementary to other development assistance in the host country? Yes
- (2) Will the proposed Housing Guaranty demonstrate the feasibility of particular kinds of housing and other institutional arrangements? Yes

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

Yes

---

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

No

---

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

No

---

Section 238(c)

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

Yes

---

B. Criteria Under General Foreign Assistance Act Authority.

Section 620/620A

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

Yes

---

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

No

---

A.I.D. Project Number 608-HG-002

IMPLEMENTATION AGREEMENT

BETWEEN

THE KINGDOM OF MOROCCO

AND

THE UNITED STATES OF AMERICA

FOR

LOW INCOME SHELTER PROGRAM

Proposed Draft Implementation  
Agreement to be discussed with the  
RHUDO and Mission, and thereafter  
negotiated with GCM

DATED AS OF: \_\_\_\_\_

45

## IMPLEMENTATION AGREEMENT

Implementation Agreement ("Agreement"), dated as of June 26, 1981, between the Kingdom of Morocco (the "Borrower") acting through the Ministry of Finance (MOF) and the Ministry of Housing and Regional Development (MHAT) and the United States of America, acting through the Agency for International Development ("A.I.D.").

### ARTICLE I

#### THE AGREEMENT

Section 1.01. Background and Purpose. Reference is made to a series of related agreements, dated as stated therein, whereunder Borrower agrees to borrow a sum as specified in Article III from a private U.S. lender (the "Investor"), A.I.D. shall agree to guaranty Borrower's repayment obligations to the Investor, and the Borrower agrees to reimburse A.I.D. for any losses that A.I.D. may incur by virtue of the A.I.D. guaranty to the Investor. These agreements are called, respectively, the "Loan Agreement", the "Contract of Guaranty", and the "Morocco Guaranty Agreement", and, together with any paying and transfer agency agreements relating to the transfer of funds and escrow agreements, are designed to facilitate the financing of the Program described below (the "Program"). The purpose of this Implementation Agreement is to set forth the understanding between the Borrower and A.I.D. with respect to the Program.

cfb

Section 1.02. Definitions. The terms used herein shall have the same meaning as in the Loan Agreement, any paying and transfer agency agreement or escrow agreement, the Contract of Guaranty, and the Morocco Guaranty Agreement, unless otherwise defined herein. The following terms are defined as follows:

BCP                                      Banque Centrale Populaire.

Eligible Beneficiary      A person whose income is less than the median family income for the area in which he/she resides.

DCP                                      A regional office of the MHAT.

Eligible Expenditures      As defined in Section 5.02.

MOF                                      The Ministry of Finance.

MHAT                                      The Ministry of Housing and Regional Development.

Note                                      A Promissory Note executed by the Borrower, and guaranteed by A.I.D., and registered by the Paying Agent in the Note Register.

Noteholder                      A Party holding a Note.

Parties                                      Signatories to this Agreement.

87

P.M.B.                                    Petit et Moyen Bidonville with population between 500 and 5,000 inhabitants.

Program                                    A joint A.I.D. and GCM effort to provide a broad range of Urban and Rural Shelter Projects to increase the availability of low cost shelter and related services for low-income families.

Project                                    A major Program component including Upgrading, Urban and Rural Core Housing, and Technical Assistance.

Subproject                                A site specific construction activity.

ARTICLE II

THE PROGRAM

Section 2.01. Description of the Program. The Program, which is a joint A.I.D.-Borrower multi-year effort, is further described in Annex A attached hereto. The Program will consist of the following Projects designed to strengthen the ability of the Borrower through MHAT to design, finance, construct, and manage replicable shelter activities for low income families which are affordable by Eligible Beneficiaries.

SB

- A. Upgrading of small and medium sized Bidonvilles located throughout Morocco ("PMB Upgrading"): This Project shall provide basic infrastructure including, as appropriate, sewerage, roads, public fountains, water, electricity, community facilities and services, and land tenure by sale of residential lots;
- B. Urban Core Housing: this Project shall consist of the construction and sale of core houses in cities with a population over 100,000 inhabitants having a range of costs and degree of completion as well as the provision of the basic infrastructure described in subparagraph A above; and,
- C. Rural Core Housing: This Project shall consist of the construction and sale of core houses having a range of costs and degree of completion affordable to Eligible Beneficiaries in market towns with a population between 10,000 and 100,000 inhabitants.
- D. Technical Support and Studies: this Project shall consist of technical assistance to the implementing agencies and studies in support of the Project including, but not limited to, training, pilot studies, architectural and engineering services, and administrative support staff.

Within the limits of the above description of the Program, details of the Program as set forth in Annex A may be changed by written agreement by the Parties pursuant to the procedure set forth in Section 7.01.

ARTICLE III

FINANCING

Section 3.01. A.I.D. Resources for the Program.

- A. The A.I.D. Guaranteed Loan. To assist the Borrower meet the costs of carrying out the Program, the Borrower will borrow up to Twenty-five Million United States Dollars (\$25,000,000) (the "Loan") from Investor. A.I.D. will guaranty to the Investor the repayment of the Loan and all outstanding interest thereon by Borrower. The selection of the Investor and the terms and conditions of the Loan Agreement are subject to approval by A.I.D.
- B. A.I.D. Grant. In addition to the A.I.D.-Guaranteed Loan, A.I.D. may provide the Borrower, subject to the availability of funds and administrative approvals, with Grant Assistance to advise and assist in Program development and shelter programs. Specific agreements will determine the procedures for utilization of such grants.

Section 3.02. Borrower Resources for the Program.

- A. The specific resources provided by Borrower for the Program will be approximately the equivalent of U.S. \$ \_\_\_\_\_ million, including costs borne on an "in-kind" basis.

- B. The Borrower will provide the land and rights of way necessary for the development of the Program.
- C. The Borrower will provide financing in the amount necessary to complete the PMB upgrading and Urban and Rural Core House Projects since only seventy percent (70%) of the Project costs will be eligible for reimbursement to the Borrower from the A.I.D. Guaranteed Loan according to Section 5.01 C of this Agreement.
- D. Notwithstanding any of the above, the Borrower agrees to provide or cause to be provided for the Program all funds, in addition to the Loan, and all other resources required to carry out the Program effectively and in a timely manner.

Section 3.03. Final Disbursement Date.

- A. The Final Disbursement Date is the date specified in the Loan Agreement for the final disbursement, or such other date as the Parties may agree to in writing.
- B. After the Final Disbursement Date, except as A.I.D. may otherwise agree to in writing, A.I.D. will not guaranty additional borrowings under the Loan Agreement.

91

ARTICLE IV

PAYING AND TRANSFER AGENCY AGREEMENT,

FEES AND PAYMENT

Section 4.01. Paying and Transfer Agency Agreement. As a condition to participating in the A.I.D. Housing Guaranty Program and receiving the A.I.D. Guaranty for the Loan, all Borrowers are required to enter into a standard form paying and transfer agency agreement with The Riggs National Bank of Washington, D. C. ("Riggs") at the time of signing the Loan Agreement. The cost for the services of Riggs shall be borne by the Borrower. Riggs shall distribute the Borrower's repayment on the Notes, transmit periodic A.I.D. fee payments, transfer Notes to new Noteholders, and otherwise provide the necessary servicing of such Notes.

Section 4.02. Payment of A.I.D. Fees. Borrower shall pay to A.I.D. the following fees:

- A. Disbursement Fee. Borrower shall pay to A.I.D. a fixed disbursement fee equal to one percent (1%) of each Loan. Such fee shall be paid to A.I.D. upon the first disbursement of each A.I.D.-Guaranteed Loan. This fee shall be non-reimbursable, notwithstanding the failure of the Borrower to subsequently receive additional disbursements of the full amount of the Loan. The fee is payable by electronic fund transfer to the Federal Reserve Bank of New York by specifying "credit to the U.S.

Treasury, New York City. A.I.D. Agency Location Code 720000001, A.I.D. Project No. 608-HG-002, in payment of 'A.I.D. Fee'." The fee shall be deducted from the first disbursement of the Loan upon instruction to the Investor in the "Request for Borrowing" required by the Loan Agreement.

- B. Guaranty Fee. In addition, Borrower shall pay A.I.D. a Guaranty Fee calculated at the rate of one-half of one percent (1/2%) per annum of the aggregate unpaid principal amount of all Notes issued and outstanding under the Loan Agreement. The Guaranty Fee shall accrue from the date each Note is issued under the Loan Agreement, and shall be payable to A.I.D. on the same dates as provided for on the Notes until each Note is fully repaid.

Section 4.03. Payment by Borrower to Investor and A.I.D. In order to facilitate principal and interest repayments due Investor and the payment of the A.I.D. Guaranty Fee to A.I.D., Borrower agrees to remit all such sums to the Paying Agent at the address specified herein, or as otherwise provided in any applicable paying and transfer agency agreement. Other fees due Investor, such as the Investor's commitment fee, shall be paid as directed by the Investor. It is understood that the Paying Agent, or any other paying agent, shall apply such remittances in accordance with the Loan Agreement, any paying and transfer agency or escrow agreements, and this Agreement. In the event the Borrower fails to remit when due any payment required by the Loan Agreement, A.I.D. in its sole discretion may make payment to the Investor under the A.I.D. Contract of Guaranty from A.I.D.'s own resources. The Borrower agrees to promptly repay A.I.D. the amount so expended.

Section 4.04. Late Payment. In the event of late payment of amounts due by the Borrower, including Loan repayments, A.I.D. fees due under Section 4.02, or any sums due A.I.D. by way of reimbursement under Section 4.03, a late payment charge will accrue on the unpaid installment. This Late Payment Charge on the unpaid installment will accrue on a semi-annual basis at the interest rate stated in the Loan Agreement and will be calculated from the date it was due to the date it was received by the Paying Agent. The Late Payment Charge will be computed as if each year consists of 365 days.

Section 4.05. Subrogation. In the event of a default by the Borrower under the terms of the Loan Agreement, and A.I.D. makes payment to the Investor on behalf of the Borrower pursuant to the Contract of Guaranty, then A.I.D. by operation of this Agreement and any existing applicable common law rights shall become subrogated to all rights of the Investor against the Borrower.

## ARTICLE V

### DISBURSEMENTS

Section 5.01. General Basis for Disbursement.

- A. Reference is made to the Loan Agreement which sets forth certain conditions to be met before the Investor is obligated to make disbursements, except as A.I.D. may otherwise agree, all of the conditions precedent to disbursement in the Loan Agreement must be met

to Investor's and A.I.D.'s satisfaction before A.I.D. will guaranty repayment of a specific disbursement. In addition, A.I.D. requires that certain conditions precedent relating to the Program be met as specified below.

- B. Borrower will advance its own funds for the PMB Upgrading, and Urban and Rural Core Housing Projects subject to reimbursement from the Loan. Such reimbursement shall not exceed seventy percent (70%) of Eligible Expenditures as defined in Section 5.02. Expenses incurred after \_\_\_\_\_ with respect to the Project shall be eligible for reimbursement.
- C. Reimbursement from the Loan for TA will be in the amount of one hundred percent (100%) of the expenditures. The costs for TA must conform with the costs as delineated in Annex A.
- D. Disbursements may also be made upon mutually acceptable terms to the Parties.
- E. All documents required to be approved by A.I.D. as a condition for a disbursement being guarantied shall be delivered to A.I.D. far enough in advance of disbursement to permit proper review, but in no event less than twenty (20) calendar days prior to a disbursement.

Section 5.02. Eligible Expenditures for Each Subproject.

Eligible Expenditures shall include reasonable Borrower's fees associated with the Loan, fees set forth in this Agreement, and the following:

95

- A. **PMB Upgrading:** Eligible Expenditures shall include reasonable and actual expenditures for the design and construction of new or improved surface water drainage, potable water distribution, electrical distribution, all-weather circulation, and other urban infrastructure systems, the purchase of municipal equipment to be used to maintain the Subproject, the provision of community facilities and such other costs as A.I.D. may agree to in writing.
- B. **Urban and Rural Core Housing Units:** Eligible Expenditures under this Subproject may include the reasonable, actual cost of: goods and services for Subproject planning, preparation of technical designs and specifications, labor, excavation, construction, building materials, site supervision and site inspection for units described for such Urban and Rural Core dwelling units.

Section 5.03. Allocation of Funds.

- A. The following sums shall be allocated to the various Projects of the Program:
1. **PMB Upgrading:** The approximate sum of Nine Million United States Dollars (\$9,000,000) shall be allocated from the Loan for this Subproject.
  2. **Urban Core Housing:** The approximate sum of Four Million and Eight Hundred Thousand United States Dollars (\$4,800,000) shall be allocated from the Loan for this Subproject.

3. Rural Core Housing: The approximate sum of Seven Million Two Hundred Thousand United States Dollars (\$7,200,000) shall be allocated from the Loan for this Subproject.

4. Technical Support and Studies: The approximate sum of Four Million United States Dollars (\$4,000,000) shall be allocated from the Loan for this Subproject.

B. Revision of the Allocation of Funds. The sums allotted above for the various Projects represent the best estimates of Program needs. Those sums may be adjusted between each Project by mutual agreement of the Parties as a revision of Annex A according to the procedures provided in Section 7.01, so long as the total amount to be disbursed for the Program from the Loan is not exceeded.

Section 5.04. Condition Precedent to Investor Selection. Promptly after the execution of this Agreement, and prior to Borrower's commencement of its investor selection activities, the Borrower, with the assistance of A.I.D. shall prepare a Program Delivery Plan in form and substance acceptable to both Parties. Such plan shall indicate the cost estimates and cash flow schedules for the Program. The Plan shall indicate expected progress on important elements of the Program. It shall contain a description of established procedures of MHAT for site selection, beneficiary selection, and cost recovery. With respect to the Urban and Rural Core Housing Projects, the Plan shall include the preliminary designs of the prototype units eligible to be built. With respect to the FMB Upgrading Project, the Plan shall indicate the standard procedures and criteria for upgrading, including criteria for site selection and cost recovery. The Plan

shall also contain such other data as may be mutually agreed upon by the Parties. MHAT shall inform A.I.D. of substantial changes in procedures, criteria or other data which would affect the accuracy of the Plan during the Program implementation period.

Section 5.05. Conditions Precedent for A.I.D.'s Guaranty of the First Disbursement. Prior to A.I.D.'s guaranty of the first disbursement under the Loan, the Borrower will, except as A.I.D. may otherwise agree in writing, deliver to A.I.D., in form and substance satisfactory to A.I.D.:

- A. a legal opinion of the Secretary General of the Government of Morocco with respect to those matters set forth in the Loan Agreement concerning the validity of the Loan Agreement; and the Morocco Guaranty Agreement, and that such Agreements have been duly authorized, executed and delivered by the Government, and constitute a legal, valid and binding obligation of the Kingdom of Morocco.
- B. such legal opinions of the counsel for Borrower with respect to any agreement or delegation of authority not provided for in the Loan Agreement as A.I.D. may reasonably request;
- C. All documents required by the terms of the Loan Agreement to satisfy the conditions precedent contained therein;
- D. a Request for Disbursement and Certificate in the form of Annex B, duly signed and completed containing schedules which indicate the application of funds;

- E. an updated Master Program Delivery Plan showing projected construction activity or other uses of the Loan over the duration of the implementation period. This plan shall be prepared by the Borrower acting through the MHAT with the assistance of A.I.D. and shall reflect the anticipated time, costs, and financing of the Program, and Projects in accordance with mutually agreed upon guidelines;
- F. a Project Delivery Plan for any Subproject activity to be financed from the initial disbursement;
- G. evidence of legal steps initiated to secure title to all land and all rights of way necessary for Project activities;
- H. evidence of A.I.D. approval of the summary statement ( \_\_\_\_\_ ) for each Subproject to be financed by this disbursement;
- I. a plan for the full staffing and organization of the Program;
- J. evidence of entering into a separate written agreement with the Banque Central Populaire (BCP), and such other financial institutions as may be necessary, which shall define the responsibilities of the BCP and such other financial institutions to make and service loans to Eligible Beneficiaries under the Program in relation to this Program.
- K. evidence that the standards used for these Projects will be kept at levels that ensure that the benefits of FMB Upgrading and the purchase

of Urban and Rural Core Housing and land title are affordable to families earning less than the median family income for the area in which they reside.

L. the terms of reference and timing for a cost recovery study which may include the following items:

- (1) the amount of present subsidy to sector, interest rate, policies, rent control, public utility rates.
- (2) how the costs of the primary community facilities may be borne by the Borrower.
- (3) how the costs of land, secondary and tertiary infrastructure construction, displacement and resettlement costs, Urban and Rural Core Housing construction, technical studies and project management will be recovered from the PMB Upgrading and Urban and Rural Core Housing area Beneficiaries by means of repaying loans extended to them by the Beneficiaries will be reduced by the amount of the profit resulting from the sale of the land for diverse economic activities.
- (4) how the cost of studies and technical assistance will be borne by the Borrower and recovered under normal Borrower procedures developed for cost recovery for that Project. Borrower shall consult with A.I.D. during the course of the study, and shall provide A.I.D. copies of the study upon its completion.

M. such other documents or evidence as A.I.D. may reasonably request.

Section 5.06. Conditions Precedent to A.I.D.'s Guaranty of Additional and Final Disbursements. Prior to A.I.D.'s guaranty of additional and final disbursements under the Loan, and except as A.I.D. may otherwise agree in writing, Borrower shall deliver to A.I.D., in form and substance satisfactory to A.I.D.:

- A. a Request for Disbursement and Certificate in the form of Annex B; duly signed and completed containing schedules which indicate the application of funds;
- B. an updated Master Program Delivery Plan described by Section 5.05E and Project Delivery Plan for any Subproject to be financed from the disbursement;
- C. evidence of progress of the Program as a whole and each of the Projects according to the Formal Program Reviews provided for in Section 6.05;
- D. evidence of A.I.D.'s approval of the \_\_\_\_\_ for each Subproject to be financed by such disbursement;
- E. such other documents or evidence as A.I.D. may reasonably request.

Section 5.07. Terminal Date for Conditions Precedent.

- A. If all of the conditions specified in Section 5.01 and 5.04 have not been met as of the date specified in the Loan Agreement for the first

101

disbursement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate its own obligations under this Agreement by written notice to the Borrower.

- B. If all of the conditions specified in Section 5.01 and Section 5.05, with respect to additional and final disbursements, have not been met as of the dates for additional and final disbursements established in the Loan Agreement or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate its further obligations under this Agreement by written notice to the Borrower.
  
- C. In case of termination pursuant to subparagraph A or B above, A.I.D. shall have no further obligation to guaranty the Notes issued by the Borrower to the Investor, except when Notes are issued pursuant to that section of the Contract of Guaranty, providing for assignment and replacement of Notes, and A.I.D. may require the Borrower to prepay immediately to the Investor all or any part of the unpaid principal of such Notes with accrued interest and Guaranty Fee to the date such payment is made, as well as any late payment charge which may have accrued.

Section 5.08. Exchange Rate. The rate of exchange used for the purpose of preparing a Request for Disbursement and Certificate shall be the lawful rate of exchange in the Kingdom of Morocco on that date which is 30 calendar days prior to a disbursement, and this rate shall be specified by Borrower in the Request for Disbursement and Certificate in Annex B.

ARTICLE VI

SPECIAL COVENANTS

Section 6.01. Use of Loan Proceeds. The Borrower shall use the proceeds of the Loan for the sole purpose of financing the Program in the manner prescribed in this Agreement.

Section 6.02. Borrower shall submit to A.I.D. summary statements ( \_\_\_\_\_ ) in a Format mutually agreed upon by the Parties, which shall describe each of the Subprojects for which Loan disbursements are requested. Except as otherwise agreed in writing, the Borrower shall not proceed with construction on a Subproject until A.I.D. has provided written approval therefor. Additionally, A.I.D. reserves the right to exercise its right of approval of invitations to bid with respect to Subprojects. It is, however, the intention of A.I.D. to exercise such specific approval rights of invitations to bid on a more limited basis, relying primarily upon the approval of the summary statements ( \_\_\_\_\_ ) and Section 6.06 Program Review.

Section 6.03. Coordination and Program Budget.

A. Coordination. Because of the number of different entities involved in the planning and execution of the Program, local coordinating communes will be established in advance of the approval of the specific PMB Upgrading or Urban or Rural Core Housing Project. Such local coordinating committees shall be composed of (1) a representative of the governor, (2) the commune's executive official, (3) the regional MHAT delegate, (4) the commune chairman, (5) a representative of a local

financial institution, (6) a representative of the MOF, and (7) a representative of the branch of the MOF responsible for the purchase and management of government land. The MHAT delegate will be a member of each coordinating committee within his region. Through informal negotiation and discussion, the local authorities and the regional housing delegate will agree on the general characteristics of each Subproject. Once approved by the coordinating committee, the MHAT delegate shall be responsible for Subproject implementation.

- B. The expenses of the Program shall be budgeted and spent in accordance with the financial regulations currently in effect. The above referenced coordinating committee will have the responsibility for coordinating these matters among the various involved ministries and other bodies.

Section 6.04. Project Implementation. The responsibility for implementing the PMB and the Urban and Rural Core Housing Subprojects is held by the regional offices (DCP) of the MHAT in conjunction with other concerned Ministries. In order to carry out its responsibilities, special units within each participating DCP will be created and maintained during the period of Program implementation. The responsibility for implementing this Program for A.I.D. is delegated to the RHUDO/Tunis. The Borrower shall communicate with the local Mission and the RHUDO/Tunis concerning any issues of implementation.

Section 6.05. Community Services and Employment Facilities. It is mutually understood that the successful implementation of the PMB Upgrading and Urban and Rural Core Housing Projects will depend in part on the continued ability and

willingness of the Borrower to provide for such services and facilities as schools, health clinics, and employment training and placement facilities. The Borrower agrees to undertake to the best of its ability the continued responsibility for funding maintenance and supervision of the services and facilities established to support this Program.

Section 6.06. Formal Program Review. Periodically during the implementation of the Program, the Parties shall conduct a Program Review. On the agenda for each Program Review, the progress towards completion of each Subproject will be compared against the then current Project Delivery Plan. In the event that progress on any one or more Subprojects is not being achieved in a manner that is mutually satisfactory, it is agreed that A.I.D. may decline to permit further disbursement for any Subproject until such time, if any, as there is mutual satisfaction as to progress made on such pending issues.

Section 6.07. Land Acquisition and Land Tenure.

- A. Land Acquisition. Borrower will secure and make available all land needed for development of the Program. Financing for land acquisition will be provided by the Borrower unless A.I.D. otherwise agrees in writing.
- B. Land Tenure. Security of land tenure shall be provided to Project Beneficiaries for existing lots in the FMB and for new lots in the Urban and Rural Core Housing Projects by Borrower transferring title to such land by means of contracts acceptable to A.I.D.

105-

Section 6.08. Displacement and Relocation Policy. The Borrower will encourage the voluntary transfer of bidonville residents to available Urban Core Housing and will maintain a policy of minimal involuntary displacement of bidonville residents for purposes of Upgrading.

Section 6.09. Employment Generation. Borrower shall counsel all contractors, sub-contractors, and other organizations undertaking or having responsibility for undertaking construction work under the Program to accord priority to residents of the Subproject areas for employment in such construction work for which the residents are qualified.

Section 6.10. A.I.D. Concurrence of Contracting Procedures and Technical Plans. The contracts for work and material will be approved in accordance with the procurement regulations of the Borrower currently in effect. A.I.D. will review and approve Borrower's procedures for contracting for work and materials.

Section 6.11. Cost Recovery. The Borrower agrees to be committed to a policy of effective cost recovery for the Program. In order to meet the Program goal of effective cost recovery, Borrower will first undertake the study referred to in Section 5.05(L) of cost recovery issues and shall complete such study within the time frame to be mutually agreed upon by the Parties, and shall thereafter prepare a cost recovery plan for the entire Program acceptable to A.I.D. prior to the connection of urban services for the PMB Upgrading or the sale of Urban and Rural Core dwelling units.

Section 6.12. Site Selection Criteria. The Program Delivery Plan referred to in Article V shall describe Borrower's site selection criteria including

physical, environmental, and socio-economic criteria as described more specifically in Annex A. Borrower agrees to follow such criteria in site selection and consult with A.I.D. if such criteria are substantively changed during the implementation of the Project.

Section 6.13. Staffing and Training. MHAT will prepare a staff selection and training plan in compliance with Section 5.05 I. Borrower further agrees to carry out the responsibilities for staffing and training substantively in accordance with the provisions of Annex A.

## ARTICLE VII

### GENERAL COVENANTS

Section 7.01. Project Implementation Letters. To assist Borrower in the implementation of the Project, A.I.D. from time to time may issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also jointly agree to Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters signed unilaterally by A.I.D. will not be used formally to amend the text of the Implementation Agreement. However, they may be used to record: the revision of details of the Project as set forth in Annex A, pursuant to Section 2.01; revisions of the other Annexes or Schedules attached to this Agreement, waivers of rights by Parties for whose benefits such rights exist; or exceptions which are permissible under the terms of this Agreement.

107

Section 7.02. Program Evaluation. The Parties agree to establish an evaluation system as an integral part of the Program. Except as the Parties otherwise agree in writing, A.I.D. shall be responsible for conducting annually the evaluation in close consultation with the Borrower in accordance with A.I.D.'s Evaluation and Monitoring Guidelines, and the Borrower shall be responsible for providing such data concerning the Program as A.I.D. may request. Copies of the evaluation report shall be furnished to the Borrower. The evaluation will include, during the implementation of the Program and at one or more points thereafter:

- A. an initial base-line study of selected Subprojects' area conditions;
- B. an evaluation of progress toward attainment of the objectives of the Program;
- C. the identification and evaluation of problem areas or constraints which may inhibit such attainment;
- D. an assessment of how such information may be used to help overcome such problems in this or other Programs;
- E. an assessment of the weaknesses and the strong points of the Program; and,
- F. an evaluation of the overall developmental impact of the Program to the degree feasible.

Section 7.03. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Program, the performance of obligations under this Agreement, the performance of any consultants, contractors or suppliers engaged on the Program, and any other matters relating to the Program.

Section 7.04. Execution of the Project. Borrower will:

- A. carry out the Program or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, required to be approved by A.I.D. pursuant to this Agreement; and,
- B. provide qualified and experienced management, and train such staff as may be appropriate, for the maintenance and operation of the Program, and cause the Program to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Program.

Section 7.05. Reports, Books and Records, Audit and Inspection.

- A. Borrower shall furnish reports and information as follows:

1. Until the Program is completed and the Loan fully disbursed to Borrower, an annual Program Progress Status Report showing the status on an annual basis of the time, costs and financing of the Program, the Project or the Subproject. This form will be prepared with direct reference to the Program Delivery Plan as identified in Article V.
  2. During the Program and until the Loan is fully disbursed and repaid, such other reports and information relating to the Program, the Loan and this Agreement as A.I.D. may reasonably request.
- B. Borrower shall maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project, to the Loan, and to the Agreement, adequate to show without limitation, the receipt and use of funds, the relending of funds, and the use of goods and services acquired under the Loan. Such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services, the basis of awards of contracts and orders, and the overall progress of the Program toward completion. These books and records shall be maintained (1) with respect to the Program for three years after the date of Program completion and (2) with respect to the Loan, for three years after the Loan has been fully repaid.

- C. Until the Loan is fully repaid, Borrower shall arrange to have such books and records audited annually by independent auditors in accordance with generally accepted auditing standards. Such audit shall provide segregated accounting and comments for the Loan, and shall be submitted annually to A.I.D.
  
- D. Borrower shall permit authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the Program, any books, records, and any other documents relating to the Project, to the Loan, and to this Agreement.

Section 7.06. Completeness of Information. Borrower confirms that:

- A. the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching this Agreement with A.I.D. are accurate and complete, and include all facts and circumstances that might materially affect the Program, the Loan, and the discharge of Borrower's responsibilities under this Agreement; and,
  
- B. Borrower will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Program, the Loan, or the discharge of responsibilities under this Agreement.

Section 7.07. Publicity. Borrower shall give appropriate publicity to the Loan and to the Program as a program to which the United States has contributed.

ARTICLE VIII

RIGHTS OF A.I.D.

Section 8.01. Suspension and Acceleration.

- A. In the event that Borrower materially breaches:
- (i) this Agreement, or any paying and transfer agency or escrow agreement, or the Morocco Guaranty Agreement (and such breach is not a breach under the Loan Agreement) and such breach is not rectified within a period of ninety (90) calendar days from the delivery of notice by A.I.D. with respect thereto, or
  - (ii) the Loan Agreement and such breach is not rectified within the period provided for rectifying such breach before it becomes an Event of Default under the Loan Agreement, then A.I.D. may take any or all of the following actions:
    - 1. decline to execute an A.I.D. Guaranty Legend on any additional Notes for disbursements under the Loan Agreement or the Contract of Guaranty, except when such Notes are issued pursuant to the provisions for assignment or replacement of Notes under the Contract of Guaranty.

112

2. require Borrower to prepay immediately to Investor all or any part of the unpaid principal of the Notes with accrued interest and Guaranty Fee to the date such payment is made, as well as any Late Payment Charge which may have accrued.
- B. After notice to Borrower, A.I.D. may exercise the remedy specified in paragraph (A) (1) above in the event that the guaranty of further Notes is contrary to legislation governing A.I.D.
- C. A.I.D., by notice to Borrower, may exercise the remedy specified in paragraph (A) (1) above in the event that Borrower fails to pay when due any interest or installment of principal or other payment required under any other loan, guaranty, or other agreement between the Borrower or any of its agencies, and A.I.D. or any of its predecessor agencies.

Section 8.02. Non-Waiver of Remedies. The marking of any Note by A.I.D., the payment by A.I.D. to Investor of any amounts pursuant to the Contract of Guaranty, the delay or failure of A.I.D. to make any claim for payment, or the delay or failure of A.I.D. to give its written approval to an acceleration of such Notes by Investor shall not operate as a waiver by A.I.D. of any rights accruing to A.I.D. under this Agreement, any paying and transfer agency agreement or any escrow agreement, the Loan Agreement, the Contract of Guaranty, or the Morocco Guaranty Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement shall be in writing or by telegram or cable and will refer to the Morocco: AID Housing Guaranty Project Number 608-HG-002, and will be deemed duly given or sent when delivered to such Party at the following address:

To Borrower:

Mail Address:

Cable Address:

Telex Nos.:

To A.I.D.:

Mail Address:

A.I.D. Office of Housing  
Regional Office, Near East  
USAID/Tunisia  
144 Avenue de la Liberte  
American Embassy  
Tunis, Tunisia

114

Cable Address:

RHUDO  
American Embassy  
Tunis, Tunisia

Copies to:

A.I.D. Office of Housing  
Agency for International Development  
Room 625, SA-12  
Washington, D. C. 20523

Cable Address:

AID WASH DC

Telex Nos.

To Paying and Transfer Agent

Mail Address:

The Riggs National Bank  
of Washington, D. C.  
Trust Department  
800 17th Street, N. W.  
Washington, D. C. 20006  
ATTN: Morocco A.I.D. Housing Guaranty Project 608-HG-002

115

Cable Address:

RIGGS BANK WASH

Telex Nos.:

FIT: 44-01-03: Answer Back RIGGS-BK

RCA: 24-83-63: Answer Back - RIGGS-UR

All such communications shall be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice to each Party.

Section 9.02. Term of Agreement. The term of this Agreement shall be from the date hereof until the payment of all sums due under this Agreement and the Loan Agreement. All representations contained herein shall survive until such termination.

Section 9.03. Amendments or Modifications. This Agreement may be changed only by a written instrument executed by the Parties hereto.

Section 9.04. Integration. This Agreement supersedes all prior agreements and understandings, if any, between the Parties hereto which relate to the subject matter hereof. The agreements described in Section 1.01, are incorporated by reference into this Agreement.

Section 9.05. Governing Law. This Agreement shall be construed in accordance with the law of the United States of America applicable to contracts and commercial transactions of the United States Government.

116

Section 9.06. Language of Agreement. This Agreement is prepared in both English and French. In the event of ambiguity or conflict between the two versions, the English version shall control.

Section 9.07. Severability Clause. In the event any provision of this Agreement is determined to contravene any law or public policy of the United States of America or of the Country of the Borrower, such provision shall be deemed null and void and the remaining provisions hereof shall continue and remain in full force and effect and shall be construed to implement, to the maximum extent possible, the intent of the Parties hereto.

Section 9.08 Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE KINGDOM OF MOROCCO

MINISTRY OF FINANCE

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

THE KINGDOM OF MOROCCO  
MINISTRY OF HOUSING AND REGIONAL  
DEVELOPMENT

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

UNITED STATES OF AMERICA

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

ANNEX A

Program Description

1. Program Objectives

A \$90 million Program has been designed to assist the GOM implement a broad range of urban and rural shelter Projects to increase the availability of low cost shelter and related services for below median income families. The A.I.D. funded Projects will encourage the GOM to design and implement cost-recovery mechanisms to generate resources to replicate future low income projects.

This Program consists of four Projects including the upgrading and provision of basic human services in large bidonvilles (PMB Upgrading), an urban core housing construction project, a market town rural core housing project, and the provision of essential infrastructure and unit upgrading in small and medium sized bidonvilles. Although all these Projects will be implemented during the life of the Program, their start-ups will be phased so that sufficient time is allowed for staffing and training as necessary in the central and delegation offices of MHAT. This phasing of the start-up and implementation of individual Projects will also permit a transfer of experience from one type of Project to another and will thereby facilitate implementation.

2. Program Inputs

The primary U.S. input into this Program will be a \$65 million multi-year Housing Guaranty Loan with an initial authorization of \$25 million and successive \$20 million in U.S. fiscal years '83 and '85 based on progress toward achievement of the goals and purposes set forth in this Agreement.

The HG loan will be used to finance shelter solutions, related infrastructure and upgrading of infrastructure in low income neighborhoods. The GOM communes and Project Beneficiaries will finance a total of Twenty-Five Million United States Dollars (\$25,000,000) in support of the Project activities to be financed by AID.

In addition to the financing of physical Project activities, AID will finance related Technical Assistance activities to the GOM through the HG loans and grant funds.

3. Program Components

The initial HG loan of \$25 million will finance the following components of the GOM shelter program see Table on Timing for the financing of the Program Components.

(a) Petit et Moyen Bidonville (PMB Upgrading) Project

Within the existing MHAT structure, Project financing will be utilized to upgrade approximately ten (10) bidonvilles throughout the country. The Project will focus on low income neighborhoods of between 500 to 5,000 inhabitants; the Subprojects will finance roads, water and sewerage systems. Land tenure will be legalized and community facilities will be provided as appropriate. It will, whenever appropriate, also be used to support the persons displaced by the PMB Upgrading Project referenced above. It is estimated that Nine Million United States Dollars (\$9,000,000) of the first tranche will be allocated to this component of the Program; approximately twenty-seven thousand (27,000) persons will benefit from this phase of the Program. The GOM will provide an additional \$3.9 million in Project financing.

(b) Urban Core Housing Project

Within the existing MHAT structure, Project financing will be provided to construct nine hundred (900) minimal housing solutions and related sources in response to a major gap in the MHAT programs serving the low income areas of large city center slums located in cities of over one hundred thousand (100,000) inhabitants. It is estimated that Four Million Eight Hundred Thousand United States Dollars (\$4,800,000) of the first tranche

120

will be allocated to this component of the program, the Borrower will provide an additional \$2.2 million. Approximately six thousand five hundred (6,500) persons will benefit from this phase of the Program.

(c) Market Town Rural Core Housing Project

This Project will support a new MHAT initiative to build low cost core houses in selected market towns of over ten thousand (10,000) inhabitants. It is estimated that Seven Million Two Hundred Thousand (\$7,200,000) of the first tranche of the Loan will be allocated to this component of the program; the Borrower will provide an additional \$3.1 million. Approximately nine thousand (9,000) persons will benefit from this phase of the Program in up to twenty-seven (27) market centers. Additionally, MHAT will have institutionalized a new rural phase to its Shelter Program.

Technical Assistance

In addition to the implementation of the referenced Projects, a substantial Program of Technical Assistance (\$4,000,000) MHAT will be provided:

- a. To reduce the cost of shelter and related basic services;
- b. To maximize cost recovery mechanisms and to rationalize the elimination of subsidies in the shelter by the GOM. (The services of the resident housing policy advisor to the MHAT, who is presently in Morocco funded under Project Agreement 608-0156, will be used to formulate the policy issues and scope for further studies in the analysis of the inter-relationships between cost recovery, subsidization, and rental control and their impacts on this Program and its individual Projects).

- c. To strengthen MHAT capacity to design and implement a wide-range of low cost shelter solutions for low income families.
- d. To carry out the Program the following Project related studies will be developed.
  - (1) Bidonville Socio-Economic Surveys: In each of the bidon-villes to participate in the Upgrading Project, MHAT would survey these areas to determine population characteristics, demand and need for services as well as the attitude towards the proposed Project. The purpose of the study would be to maximize the positive impact of the Project on potential Project Beneficiaries.
  - (2) Urban Core Housing Demand: To determine the effective demand in the major urban slums for core housing units affordable to families earning less than a median family income.
  - (3) Market Town Core Housing Demand: To conduct similar demand surveys for families residing in selected market towns.

4. Program and Project Delivery Plans

(a) Program Plan

At the time of MHAT's initial request for loan disbursement, the Borrower will provide in form and substance satisfactory to AID, a plan for the HG and GOM allocations to be initially invested in each Project activity and the timing of the various investments for the first tranche.

(b) Subproject Delivery Plan

MHAT shall also prepare a Subproject Delivery Plan needed to justify a disbursement. The plan shall be in form and substance

122

satisfactory to AID and shall address the technical, environmental and financial aspects of the Subproject as follows:

1. Technical - (a) site selection of a particular Subproject financed by the particular disbursement showing that the residents of the selected site are Eligible Beneficiaries as defined in the Implementation Agreement; (b) copies of standard documents or model agreements used between MHAT and the actual implementing entities, including builders, terms for acquisition of building materials and installation of infrastructure, and timetables for preparation and review of general site plan and specifications; (c) procedures for site supervision and, independent from supervision, site inspection; (d) a detailed cash flow chart showing cash needs and procedures and timetables for liquidation of advances, coordinating with each phase of construction or each stage of the development of a particular site; and (e) plans for conversion of construction financing to long-term financing as monthly payments by Beneficiaries until subscription contracts commence.
2. Environmental - the housing solution guidelines developed will be utilized to address the environmental concerns to ensure that Subprojects will not have a negative impact on the environment.
3. Financial - (a) evidence that the cost of the Subproject at a particular site is affordable to the target income group and Eligible Beneficiaries as defined in the Implementation Agreement; (b) a cost recovery plan, such as recovery of capital costs and user charges, and (c) evidence of Eligible Expenditures and liquidation of advances by submission of the certified list of Beneficiaries and amounts of those who have entered into subscription contracts.

4. Institutional Outputs

The Program seeks to strengthen and improve the MHAT's capacity to develop its housing programs from the policy, planning and implementation standpoint on a self-sustaining basis by addressing four institutional factors.

The first of the Program's institutional outputs will be the improvement of the mechanism for establishing and servicing MHAT's shelter loans and related infrastructure to begin to put its programs on a self-sustaining basis.

The second of the outputs will be the improvement of MHAT to expand the range of low cost shelter and services and access of these to low income families.

The third of these is a strengthened central programming and planning unit in the MHAT. Currently, there is no concise and comprehensive government housing policy which sets the framework for the development and implementation of government programs. It is intended that this Project will assist in strengthening such a function in the MHAT.

The final of the institutional outputs is an increased capacity for better site planning, better house design, greater assistance in self-help and more effective community development.

5. Beneficiaries

The target group that this program will aim at are those families earning below the median urban and rural incomes of \_\_\_\_\_ and \_\_\_\_\_ per month respectively. Over \_\_\_\_\_ people will benefit from new housing starts and upgraded units financed by the first tranche.

6. Host Country Contribution

The HG loan provides financing for a part of the overall GOM shelter program. The HG loan will finance seventy percent (70%) of the Projects Expenditures referenced in this Annex plus one hundred percent (100%) of the foreign technical assistance inputs.

124

In addition to thirty percent (30%) of the direct Project costs, in many instances the GOM will be furnishing in kind administrative support, land, community services, while Project Beneficiaries will provide an additional \_\_\_\_\_ million (\$ \_\_\_\_\_) in downpayments.

125

## KINGDOM OF MOROCCO

608-HG-002

REQUEST FOR DISBURSEMENT AND CERTIFICATE

The Ministry of Finance of the Kingdom of Morocco (Borrower) hereby certifies to the United States Agency for International Development (A.I.D.) under the Project Agreement dated as of (INSERT DATE) that:

1. \$U.S. \_\_\_\_\_ from the A.I.D.-Guarantied Loan (HG), is requested for disbursement and Borrower's request for such disbursement is in accord with the terms of the Investor Loan Agreement and the Implementation Agreement.
2. Borrower is in full compliance with all the terms and conditions of the Investor Loan Agreement and the Implementation Agreement.
3. The Schedules attached hereto for purposes of justifying the requested disbursement have been completed accurately and fully reflect the facts existing as of the date of this Request and Certificate.
4. The rate of exchange, chosen in accordance with Section 5.08 of the Implementation Agreement, is U.S. \$1.00 = \_\_\_\_\_ dirhams as of \_\_\_\_\_.

THE KINGDOM OF MOROCCO  
THE MINISTRY OF FINANCE

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

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

Attachments:

Schedule 1

## PROGRAM IMPLEMENTATION SCENARIO

## LIFE OF PROGRAM ALLOCATION PLAN

121

Project	81			82			
	HG	MOR	TOT	HG	MOR	TOT	
Petit et Moyen Bidonvilles (PMB)	6.0	2.0	8.0	3.0	1.9	4.9	
Urban Core Housing	3.0	1.2	4.2	2.0	.9	2.9	
Rural Core Housing	0	0	0	7.0	3.3	10.3	
Mohammedia	0	0	0	0	0	0	
Tetouan	0	0	0	0	0	0	
Technical Support	2.0	0	2.0	2.0	0	2.0	
TOTAL	11.0	3.2	14.2	14.0	6.1	20.1	14

BEST AVAILABLE COPY

TECHNICAL ASSISTANCE PLAN

MOROCCO HG-002

I. <u>HG FUNDED</u>	(\$ millions)	
	<u>FY 1982</u>	<u>FY 1983</u>
1. Socio-Economic survey of 27 bidonvilles to provide MHAT with accurate socio-economic information for each bidonville to be upgraded with HG-002 funding.	.056	----
2. Effective Demand Study for urban initiative sub-project to determine relative need & effective demand in each city over 100,000 so as to decide number of urban solution to provide per city.	.225	----
3. Pilot demand study to establish selection criteria for modified rural program to provide all MHAT delegations with rural selection criteria via an example of 1 province's rural center. MHAT will develop a nation-wide criteria matrix & request other delegations to use it.	.188	----
4. Mini-computer for project management to provide MHAT Central Project Unit with fast recall, easily updated project accounts. Software, programs, 1 month general instruction, maintenance.	.110	.011
5. Resident Advisors to MHAT to provide Sr. level and administration to the HG-002 effort and start-up advice to the ALCB (six senior level in FYs 82-83 and four senior foremen in FY 83).	.369	.708
6. Accounting services to assist MHAT, ALCB, and Regional Delegations establish accounting control system (analytic); help above prepare HG disbursements in a timely fashion.	.090	----
7. A&E detailed work in preparation for contractor bids to provide contractor support to regional delegations who have drawn up preliminary plans.	.600	.397
8. Aerial Photography to provide MHAT and A&E with up-to-date site maps (1/200 and 1/500) also help Service des Domaines prepare sales documents for beneficiaries.	.100	.341
9. Technical services related to the large bidonville upgrading programs in Mohameddia and Tetouan.	.262	.543
Total (first tranche)	<u>2.000</u>	<u>2.000</u>

BEST AVAILABLE COPY

128