

U N C L A S S I F I E D

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

PROJECT PAPER

MOROCCO: TETOUAN URBAN DEVELOPMENT  
(608-0194- Supplement to 608-HG-001)

JULY 13, 1990

U N C L A S S I F I E D

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**AGENCY FOR INTERNATIONAL DEVELOPMENT**  
**PROJECT DATA SHEET**

**1. TRANSACTION CODE**  
 A = Add  
 C = Change  
 D = Delete  
 Amendment Number 3

**DOCUMENT CODE**  
3

**COUNTRY/ENTITY**  
 MOROCCO

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

**BUREAU/OFFICE**

**5. PROJECT TITLE (maximum 60 characters)**  
 Tetouan Urban Development Grant

**AID/MOROCCO**

**PROJECT ASSISTANCE COMPLETION DATE (FACD)**  
 MM DD YY  
 09  31  09  4

**7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4)**  
 A. Initial FY  8  6 B. Quarter  C. Final FY  9  0

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

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
TD Appropriated Total						
(Grant) ESF	( )	( )	( )	( 2,764 )	( )	( 2,764 )
(Loan)	( )	( )	( )	( )	( )	( )
1. SDA	700		700	800		800
2. In-Kind					1,530	1,530
or Donor(s)						
<b>TOTALS</b>	700		700	3,564	1,530	5,094

**9. SCHEDULE OF AID FUNDING (\$000)**

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
SDA			800				800	
ESF			1,000		1,764		2,764	
<b>TOTALS</b>			1,800		1,764		3,564	

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

**11. SECONDARY PURPOSE CODE**  
 723

**SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)**  
 A. Code BU  
 B. Amount 3,564

**PROJECT PURPOSE (maximum 480 characters)**

To strengthen the institutional capacities of the GOM agencies implementing the HG-001 Tetouan Upgrading Program and to assist GOM policy makers to address key urbanization issues.

**SCHEDULED EVALUATIONS**  
 Interim MM YY | MM YY | Final MM YY  
 000  941  Local  Other (Specify)

**15. SOURCE/ORIGIN OF GOODS AND SERVICES**

**AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a page FP Amendment.)**

This Project Paper Supplement No. 3, amends the Project Paper for the HG financed Tetouan Urban Development Program-(608-HG-001) to include additional ESF Funds for expanded technical assistance and training costs, commodities, additional studies and increased project management. USAID/MOROCCO Controller's approval of proposed methods of implementation and financing.

**APPROVED BY**  
 Signature: *Richard L. Warin*  
 Title: \_\_\_\_\_  
 Date Signed MM DD YY: 07/13/90

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

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ACTION MEMORANDUM FOR THE USAID/MOROCCO ACTING DIRECTOR

DATE: JUL 13 1990

FROM: John Wiebler, Acting Program Officer  
SUBJECT: Tetouan Urban Development Project (608-0194)

PROBLEM:

Your approval is required for Project Paper Supplement Number 3 and Project Authorization Amendment Number 2.

DISCUSSION:

The 608-0194 Tetouan Urban Development Project, approved in 1986 (\$800,000 DA) and amended in 1989 (additional \$1,000,000 ESF), is the technical assistance and training grant component intended to support the \$25 million A.I.D. Housing Loan Guaranty for the Tetouan Urban Development Program (608-HG-001). Key policy decisions by the Moroccan Government with respect to the operation of the Community Infrastructure Fund (FEC) and revised needs assessments by the implementing agencies justify the expansion of several project components.

In particular additional funds are required to assist in: The transformation of the FEC into an autonomous financial institution; the development of a Geographic Information System for the Municipality of Tetouan; the financing of the foreign exchange component of the Sewerage Master Plan Study; additional funding for studies leading to the privatization of municipal services; expanded technical assistance and training; and, increased project management.

This amendment increases the funding for the 608-0194 Project by \$1,764,000 for a total of \$3,564,000. The project completion date remains unchanged.

This grant, like that of the previous amendment will be ESF-financed. The project's goal and purpose remain unchanged from PP Supplement II, while project outputs have been expanded, as described below.

The project goal is to improve the shelter conditions of low-income households in urban areas of Morocco.

The project purpose is to strengthen the institutional capacities of the GOM agencies implementing the HG-001 Tetouan Upgrading Project and to assist GOM policy makers to address key urbanization issues.

The outputs of the project fall into the following categories: (1) explicit management structures, reporting and decision procedures linking the implementing agencies in a project orientation; (2) improved staff skills in project planning, management and monitoring in data base design, financial analysis, and communication; (3) staff skills in operating microcomputer-based systems for project planning, financial and technical analysis of municipal services delivery and cost recovery, local and property tax collection, and large beneficiary as well as other data bases; and (4) an autonomous financial institution providing improved financial and project management services to local governments.

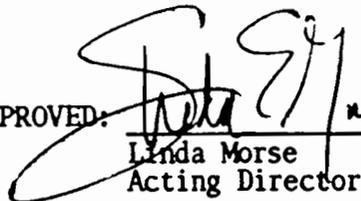
The Mission Review Committee met on June 8, 1990 and recommended approval of the Tetouan Urban Development Project Paper Supplement subject to minor revisions which have since been effected.

The Congressional Notification expired without objection on June 27, 1990.

RECOMMENDATION

That, according to the authority granted to you in AID Delegation of Authority 654, you sign the Project Paper Data Sheet and the attached Amendment No. 3 to the Project Authorization, thereby approving the 608-0194 Tetouan Urban Development Project Supplement with a life-of-project funding of \$3.564,000 million and a PACD of September 30, 1994.

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

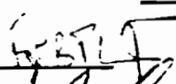
  
Linda Morse  
Acting Director

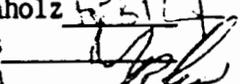
DATE: 7/13/90

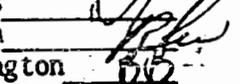
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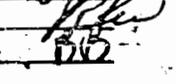
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CLEARANCE:

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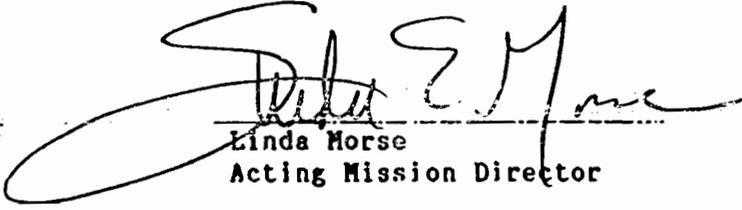
AMENDMENT NO. 2 TO PROJECT AUTHORIZATION

Name of Country: Morocco  
Name of Project: Tetouan Urban Development Project  
Number of Project: 608-0194

1. Pursuant to Sections 106 and 531 of the Foreign Assistance Act of 1961, as amended, the Tetouan Urban Development Grant Project for Morocco was authorized on July 23, 1986 and amended on May 19, 1989. The Project Authorization is hereby further amended as follows:

The level of planned obligations is increased from \$1,800,000 in grant funds to \$3,564,000 in grant funds.

2. Except as herein amended, the authorization cited above as previously amended remains in full force and effect.

  
Linda Morse  
Acting Mission Director

Date: 7/13/90

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List of Project and Mission Review

Committee Members

Mission Review Committee

Linda Morse  
Kenneth Schofield  
Harry Birnholz  
Tahar Berrada  
Richard Warin  
Richard Burns  
Alexandra Braginski  
Belinda Barrington  
Christine Faschini

Acting Director  
Acting Deputy Director  
Regional Housing Officer  
RHUDO Project Manager  
Controller  
Project Development Officer  
Project Development Officer  
Regional Legal Advisor  
Regional Contracting Officer

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Kay Freeman  
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Regional Housing Officer  
RHUDO Project Manager  
Acting Program Officer  
Budget & Accounts Officer  
Project Development Officer  
Project Development Officer  
Regional Legal Advisor  
Regional Contracting Officer

## A C R O N Y M S

A+E	Architect and Engineering
ANHI	National Agency for the Fight Against Substandard Housing Agence Nationale de Lutte Contre l'Habitat Insalubre
BDCL	Municipal Development Bank Banque de Developpement des Collectivités Locales
CDG	Caisse de Dépôt et de Gestion
CERAU	National Urban Planning Research Center Centre d'Etude de Recherche de l'Aménagement et de l'Urbanisme
DCL	Directorate of Local Government Direction des Collectivités Locales
EA	Environmental Assessment
ESF	Economic Support Funds
FEC	Community Infrastructure Fund Fonds d'Equipement Communal
GIS	Geographic Information System
GOM	Government of Morocco
HCC	Host Country Contact
HG	Housing Guaranty
IQC	Indefinite Quantity Contract
L/Comm	Letter of Commitment
MIS	Management Information System
MOF	Ministry of Finance
MOH	Ministry of Housing
MOI	Ministry of Interior
MUN	Municipality of Tetouan
PACD	Project Activity Completion Date
PIO/P	Project Implementation Order/Participant
PIO/T	Project Implementation Order/Training
PP	Project Paper
PSC	Personal Services Contractor
RDE	Regional Public Utility Agency Régir Autonome Intercommunale de Distribution d'Eau et d'Electricité
RFP	Request for Proposals
RHUDO	Regional Housing and Urban Development Office
SGT/GT	Service of General Treasury/General Treasury
TOR	Terms of Reference
WASH	Water and Sanitation for Health Project
ZAC	Zone d'Aménagement Concerté

## I. SUMMARY

The 608-0194 Tetouan Urban Development Grant Project, as amended in 1989 (LOP \$1.8 million), is the technical assistance and training activity supporting the \$25 million AID Housing Guaranty Loan for the Tetouan Urban Development Program (HG-001).

Since the completion of the Project Paper Supplement II in May 1989, technical assistance and training activities have been carried out as planned, with a number of important studies completed and funding provided for participants attending international conferences. Contractor procurement for the provision of multi-year technical assistance and training is in the final stages of review and negotiation.

Key policy decisions by the Moroccan government and revised needs assessment by the implementing agencies during the past year justify the expansion of several project components. The changing circumstances include: the Government of Morocco (GOM) decision to transform the Community Infrastructure Fund (PEC) into a public finance institution rather than establish a new municipal development bank (BDCL) as had been planned; the selection of an American-Moroccan engineering consortium to carry out the Sewerage Master Plan Study; the decision to introduce Geographic Information System technology (GIS) as a tool for the Municipality of Tetouan (MUN) to better manage and coordinate land ownership issues; and, the timeliness of the Tetouan Zone d'Aménagement Concerté (ZAC) Study in presenting key policy issues which were incorporated into the draft national urban planning law, thereby eliminating the need for financing a National ZAC Policy Study.

At the same time the HG-001 activities moved into the borrowing and construction phase with the first \$8.5 million borrowing completed in May 1990. The first 70 replacement houses will be completed no later than September 1990. The on-site Dersa neighborhood sewerage construction works, the Site Development Plan for the sites and services zone, the Program Beneficiary Payment Plan, the Land Registry for the upgrading area and the Land Acquisition for the Site & Services area are all underway.

The increase in activity associated with this new phase of HG-001 implementation has led to an increased need for staff at the local and central level. Specifically it is now critical that engineering services for monitoring the construction activities in Tetouan be provided in association with the National Agency for the Fight Against Substandard Housing's (ANHI) Tetouan Project Office. Furthermore the increased workload for USAID in monitoring project activities now requires fifty percent of the RHUDO financed Personal Services Contractor's time.

This amendment will increase the funding for the Tetouan Urban Development Grant Project (608-0194) by \$1,764,000 to a total of \$3,564,000 (See Table 1). The PACD remains unchanged. The additional grant funds will be used for the following activities (See Table 2):

TABLE 1

Project Financial Summary

	<u>Original</u> <u>PP Supplement 2</u>	<u>Additional</u> <u>Funds</u>	<u>Current</u>
<u>Tech. Ass.:</u>			
FEC	75	230,000	305
MUN	593,500	417	1010,5
ANHI	161,000	100	261
DCL	64,000		64
RDE	57,000	20	77
Others: Land Registry	70,000	(70,000)*	-0-
ZAC Study	48,000	(48,000)*	-0-
<u>TOTAL</u>	<u>1.068,500</u>	<u>649,000</u>	<u>1717,5</u>

Commodities

FEC	14	120	134
MUN	85	100	185
ANHI	69	(35)**	34
DCL	29		29
RDE	40	(40)**	-0-
TG	15		15
	<u>252</u>	<u>145</u>	<u>397</u>

Training:

FEC	6	100	106
MUN	31	10	41
ANHI	19		19
DCL	17		17
RDE	12		12
Others	11		11
	<u>96</u>	<u>110</u>	<u>206</u>
Sewerage Master Plan Studies	150	700	850
Resident Advisor	100	-0-	100
Project Manager		100	100
Audit & Evaluation	35.0	60	95
Contingencies	98.5	-0-	98.5
	<u>1.800.0</u>	<u>1764.0</u>	<u>3564.0</u>

\* The Land Registry Study will be carried out under the Geographic Information System (GIS) activity. The ZAC National Study is no longer needed. The funding will be used for technical assistance to the Municipality.

\*\* Commodity procurement for the ANHI will be included in the multi-year TA and training contract. The \$35,000 programmed for the ANHI commodity procurement, as well as the \$40,000 programmed for the RDE will now be used to procure commodities for the FEC.

1 Technical Assistance in PP Supplement II consisted of approximately 90 person-months. Under PP Supplement III it is increased to 120 person-months.

2 Under PP Supplement II an estimated 120 participants were to receive training. Under PP Supplement III that is increased to 140 participants.

TABLE 2

New Funds: (\$1,764,000)

Beneficiary Institutions

MUN	Sewerage Master Plan Study	\$700,000
	GIS	250,000*
	Technical Services	126,000
RDE	Technical Services	20,000
FEC	TA/T	375,000**
ANHI	A + E Services	100,000
MUN-ANHI-DCL	Multi-Year TA/T Contract	33,000
MUN-ANHI-FEC	Audits	60,000
Project Management	PSC Project Manager	100,000
	<u>TOTAL</u>	<u>1,764,000</u>

\* GIS: \$250,000/ TA: 140,000 T: 10,000 Commodities: 100,000  
\*\* FEC: \$375,000/ TA: 230,000 T:100,000 Commodities: 45,000

**A. Community Infrastructure Fund (FEC) \$375,000**

In 1989, the GOM decided to transform the FEC (over a two to three year period) into an autonomous financial intermediary for mobilizing resources for local government capital investments. This transformation is a critical component in expanding and diversifying the resource base available for Municipal development. As such it is consistent with the GOM's program to decentralize government authority and responsibility, particularly with respect to municipal economic and social development.

The proposed technical assistance and training program will focus on strengthening financial management and project evaluation activities; activities that were identified as part of the feasibility studies carried out by USAID for the BDCL project in 1988 and 1989. These activities are critical to both the Tetouan Project and the general operations of the FEC.

The FEC activities will have four components:

1. Studies (\$55,000). This activity will fund approximately 10 studies during a three year period for the municipalities and the Directorate of Local Governments (DCL). Funds will be used to (a) evaluate projects for the Municipalities, leading to privatization of municipal services and improved cost recovery of municipal services; and, (b) finance selected studies for the DCL and the FEC related to privatization of municipal services, improved cost recovery, improved municipal contracting procedures, improved project identification and design and improved municipal minimum equipment standards.

2. FEC Management Studies (\$100,000). These funds will be used for studies leading to improved management and resource mobilization by the FEC.

3. Training (\$100,000). The training component is designed to improve the FEC's operations and create the management capabilities required for autonomous FEC operation. It will concentrate on financial management and planning, resource mobilization and project evaluation.

4. Management Information System (MIS) (\$120,000). The FEC will require additional computer capacity in order to manage the increased workload resulting from its transformation into an autonomous financial institution. \$20,000 will be used to develop a MIS plan, identifying the most appropriate hardware and software to expand the FEC's computer capacity in an efficient and integrated manner. Funds will also be used to purchase computer hardware and software for the financial management and project evaluation departments.

**B. Sewerage Master Plan Study \$700,000**

During the past year the Municipality of Tetouan has solicited and evaluated proposals for an A+E contractor to carry out this study. USAID

actively encouraged U.S. companies to bid and, in fact, a U.S.-Moroccan consortium is to be awarded the contract. The choice of a U.S. firm is an important departure from similar studies financed by the World Bank, all of which were implemented by European/Moroccan firms. It is hoped that this will encourage U.S. firms to compete for the construction of the off-site sewerage works in the HG-001 Program.

The selection of a U.S. firm, however, imposes a significant foreign exchange burden on the Municipality of Tetouan. The Municipality has requested that USAID finance the foreign exchange costs of the entire study rather than the limited environmental assessment component as had been previously planned. USAID did not previously commit to broader funding for this activity due to the likelihood of a non-U.S. firm receiving the contract. However, under the circumstances the additional assistance is considered an appropriate method to promote U.S. business in the civil engineering and construction market.

C. Additional technical assistance and training costs. (\$179,000)

The technical assistance and training activities described in Project Paper Supplement II have been programmed into several discrete units in accordance with their technical nature. In particular, managerial and financial activities have been separated from technical support activities including those planned for the technical services division of the Municipality of Tetouan and the Regional Public Utility Agency (RDE). This was done to allow the most appropriate firm to be selected for each type of activity. Additional funds will now be added to both activity groups as follows:

1. Managerial and financial assistance (\$33,000): In November 1989 a Request For Proposals (RFP) was issued for the provision of a multiyear technical assistance and training program focusing on providing managerial and financial assistance to the Municipality, ANHI and DCL. Responses to the RFP by the bidding firms included higher levels of effort and operational costs than estimated in the PIO/T. Based on discussions with the selected firm, which has many years of experience providing managerial training services, an additional \$33,000 is required to fully fund the contract and assure that adequate levels of effort are provided to permit the complete transfer of skills and technologies.

2. Assistance to the Technical Services Division of the Municipality and the RDE (\$146,000): The total technical assistance and training budget provided under PP Supplement II will be needed for the managerial and financial activities described above. Therefore an additional \$100,000 will be required to provide the support already approved for the technical services division of the Municipality and the RDE. An additional \$46,000 will be used to carry out a feasibility study for the privatization of the Municipality of Tetouan's solid waste disposal system and landfill.

D. Geographic Information System (GIS) (\$250,000)

In researching appropriate methods for implementing the land registry activities planned in PP Supplement II, USAID and the Municipality have agreed to introduce Geographic Information System technology already in use in

Morocco, into land management operations at the Municipality of Tetouan. This computer based land management system will computerize land maps and infrastructure systems for the 400 hectares of the Tetouan Urban Development Site. The GIS will accomplish the already planned land registry activities while providing more accurate and sophisticated data management tools that allow a wider range of applications.

The grant funds will be used to buy-in to a centrally funded technical services contract with ICMA (International City Managers Association). Assistance will be provided to the Municipality of Tetouan in acquiring the appropriate hardware and applying GIS technology to municipal activities. The U.S. contractor will assist the National Urban Planning Research Center (CERAU) in training municipal staff and computerizing the land mapping. The contractor will also upgrade as necessary CERAU's GIS research laboratory so that CERAU's system will correspond with that considered best able to serve the needs of the Municipality. Funding will also be used (a) to provide the services of a U.S. based GIS specialist to follow up and monitor the activity on an intermittent basis over a two year period, and (b) for international training.

E. USAID Rabat-based Project Manager Personal Services Contractor (PSC)  
\$100,000

With HG-001 moving into the construction phase and technical assistance and training activities in the Tetouan Urban Development Grant Project 608-0194 coming on line, the RHUDO financed shelter Project Manager is devoting approximately 50 percent of his time to the Tetouan Project. This includes reviewing all technical plans and physical works under HG-001, and monitoring and coordinating the studies and activities specific to the 608-0194 Project. The grant financing will share the cost of the Rabat based Project Manager PSC by providing 50 percent of the contract funding needs over a three year period.

F. A+E Services for ANHI Tetouan Project Office \$100,000

The staffing plan for the ANHI Tetouan Project Office includes a position for a civil engineer. As a parastatal ANHI's salary and benefit package is set by law. It's present level is not competitive with the private sector. While this level is being negotiated with the Ministry of Finance, it will probably be some time until an agreement is reach. Meanwhile ANHI is unable to fill this vacancy in its office.

With construction activities beginning, the need for engineering monitoring and follow up is increasingly critical. Consequently ANHI proposes that USAID share the cost of contracting with a local A+E firm for monitoring and follow up services. ANHI will share the cost of the contract, with USAID paying the remainder. The services will be funded for a period of 30 months.

G. Contracting Assessment \$60,000

Prior to AID approval of any host country contract a determination will be made that the host country implementing agency has the capability to undertake such procurement. Such a determination will follow an assessment of the agency's capability conducted by a Chartered Accounting firm or such other firm(s) that are capable of rendering such service.

Should a USAID/Morocco review of the host country contracting capabilities of ANHI not result in a positive determination by the Mission Director of ANHI's contracting capabilities, direct contracting mechanisms will be used.

## II. BACKGROUND AND RATIONALE

### A. Background

In 1985, AID approved a \$25 million Housing Guaranty Loan for the Tetouan Urban Development Program, 608-HG-001. The program purposes are: (1) to upgrade a clandestine settlement and prevent its spread in a major Moroccan secondary city, and (2) to develop a model of a comprehensive approach to urban development. The shelter upgrading component is now one of five major program components, the others being a sites and services project; a joint public/private development project, the "Zone d'Aménagement Concerté" (ZAC); an off-site sewerage system and treatment plant; and technical assistance and training.

The technical assistance and training component is the subject of the Tetouan Urban Development Project Grant (608-0194). Activities under this grant were designed to assist the Government of Morocco in developing an administrative structure capable of meeting the shelter needs of poor urban families. The project was amended in 1989, in recognition of the complexity of policy issues (particularly land tenure, and sewerage system management). The second PP Supplement broadened the project purpose to include assisting GOM policy makers to address key urbanization issues. Grant Funds were used to expand technical assistance to participating GOM agencies, to add three new agencies to those receiving assistance and to acquire the services of a Tetouan based Resident Advisor. The PACD was extended so that: 1) the time frame for project activities corresponded more closely with those of HG-001, which was just getting underway; 2) there was adequate time for the addition of activities involving new institutions; and, 3) additional training and technical assistance activities required to resolve the land tenure and sewerage management issues could be implemented.

The grant agreement for the Tetouan Urban Development Project was signed in FY 86 obligating \$700,000. Amendments in FY 87 and FY 89 added \$100,000 and \$1,000,000 respectively. The FY 89 amendment was funded with Economic Support Funds. Table 3 shows how the grant funds were allocated by line item and agency. Table 4 shows total project assistance as provided by AID and the GOM. The GOM contribution consists primarily of personnel, physical plant and operating expenses. (For Tables 3 and 4, see IV Financial Plan).

The Project is now being amended to respond to the changed circumstances resulting from the Moroccan Government's (GOM) decision to transform the Community Infrastructure Fund (FEC) into an autonomous municipal development bank and expanded project needs resulting from the evolution of several project activities.

### B. Rationale: Basis for Request

This amendment to the Tetouan Urban Development Grant Project (608-0194) provides an additional \$1,764,000, bringing the total life-of-project funding to \$3,564,000. The rationale for each of the new components is provided below.

1. Community Infrastructure Fund (FEC): An additional \$375,000 will be added to existing project funds (\$75,000) to finance a four part program designed to assist the FEC in its transition into an autonomous banking institution that will increase the amount of resources available to the Municipalities.

The FEC is the Borrower of the HG-001 Tetouan Project. It has just received the first disbursement HG of \$8.5 million. The HG-001 second Supplement was prepared under the assumption of the imminent creation of a Municipal Development Bank (BDCL) and the preparation of a specific technical assistance project for this bank. Accordingly it provided only minimal assistance to the FEC.

However, in late 1989 the Government of Morocco decided that it would be more prudent to transform the existing FEC into an autonomous bank rather than create a new banking institution. The transformation is to follow the recommendations made in two studies financed by USAID at the request of the Ministry of Interior (MOI) through its Directorate of Local Government (DCL). These studies were originally intended to provide guidelines for the creation of a new municipal bank.

The FEC has begun its transition from a Caisse de Dépôt et Gestion (CDG) department to an autonomous finance institution by carrying out the following recommended changes:

- Adoption of the lending and disbursement targets set forth in the BDCL Study;
- Preparation of a new organigram and new by-laws setting the stage for its gradual autonomy and an adequate capitalization commensurate with the projected volume of lending;
- Preparation of a staffing program allowing it to effectively manage the increased volume of lending;
- Raising the necessary resources to support the lending requirements; and,
- Starting a program of decentralization aiming at the creation of seven regional branches. (The first branch is to open in Agadir in late 1990).

Grant funds will assist the FEC in its transition to an independent financial institution capable of managing increased lending volume and the diversification resulting from increased resource mobilization. Such increased resource mobilization is a critical element supporting the GOM's decentralization process, in that it will increase financing available for municipal development projects and programs, and improve municipal capacity for project identification, evaluation and implementation. The proposed activity strengthens the institutional mechanisms for increased resource mobilization and is consistent with USAID's efforts to date to strengthen the role of financial intermediaries for local government financing.

FEC's financial situation:

The FEC's financial resources currently cover about 85% of its long term loan assets and all loans to municipalities are granted a full faith guaranty by the State.

Until 1987 the FEC financed part of its portfolio with a 300 million DH revolving line of credit from the Caisse de Dépôt et Gestion (CDG) at an interest rate of approximately 7.5%. In 1987 this line of credit was consolidated into a five year note maturing in 1993 and bearing an rate of 11.5%. Although the FEC's lending rates on new loans have been increased in order to offset the increase in its cost of resources caused by this consolidation, its income statement showed losses of 9.03 million DH in 1988 and 2.85 million DHS in 1989. However, these losses have been covered by the FEC's capital reserves and their magnitude will not adversely affect its financial structure. A further increase in interest rates, as well as the charging of a 0.75% commitment fee was approved by the Ministry of Interior (MOI) on May 19, 1990.

Financial projections based on the new interest rates and the 0.75% commission on the undrawn balance of the loans indicate net profits (or losses) and gross margins as follows:

YEAR	1990	1991	1992	1993	1994
Net profit (loss) in Million DH	(3,43)	0.611	2.461	5.32	13.2
Profit margin on loans (in %)	0.11	0.44	0.76	0.92	0.86

Although the profit margin will remain very low compared to the customary 3%, the FEC will become increasingly profitable beginning in 1991.

Due to the anticipated creation of a BDCL (Municipal Bank), the FEC experienced a brief decline in its operation in 1989. With the decision not to create a Municipal Bank, the FEC is now required to reach the commitment and disbursement targets set forth in the BDCL feasibility study. These targets, which are now the official forecasts of FEC activity, are as follows (in million DH):

YEAR	1990	1991	1992	1993	1994
Loan approvals	600	650	700	750	800
Loan disbursements	520	550	600	650	700

In order to achieve this volume of lending, the FEC should raise long term resources as follows (in million DH):

YEAR	1990	1991	1992	1993	1994
	350	415	380	659	559

By the end of 1989, the FEC had already raised a record 400 million DH on the Moroccan bond market; information gathered to date indicates that it should be able to continue to do so in the foreseeable future.

2. Sewerage Master Plan Study: \$700,000 in grant funds will be added to the \$150,000 already programmed for the Sewerage Master Plan Study. These funds will be used to finance the foreign exchange costs of the Study to be carried out by a U.S./Moroccan consortium.

Since the Project's inception, USAID has been actively involved in the planning of the Sewerage Master Plan Study, with funding already programmed to finance the Environmental Assessment component of the work. RHUDO, through the Water and Sanitation for Health Project (WASH), provided technical assistance to finalize the Terms of Reference for the Study, to develop technical and cost information to assist the Municipality of Tetouan in bid evaluation, and to evaluate the human and material resources being provided by the Municipality to manage the implementation of the Master Plan Study.

The Study is the last of seven being carried out in Morocco. The other six were financed by the World Bank and implemented by European/Moroccan firms. It was expected that the contract for the Tetouan Sewerage Master Plan Study would likewise be awarded to a non-U.S. firm. Therefore, USAID did not plan to finance the overall study, agreeing to fund only the Environmental Assessment Component which was required to comply with U.S. laws.

Nevertheless in its efforts to promote U.S. private enterprise, USAID encouraged U.S. companies to bid. USAID also worked closely with the Municipality to ensure that procurement regulations acceptable to USAID were followed. A U.S./Moroccan engineering consortium won the bid. This is considered a positive precedent and it is hoped one which will encourage U.S. firms to bid on follow up construction work.

The foreign exchange costs related to U.S./Moroccan firms are significantly higher than those of European/Moroccan engineering consortiums. Consequently the Municipality has requested that USAID fund the full foreign exchange costs of the Study while the Municipality covers all local currency costs. USAID believes this is a reasonable course of action in order to promote the entry of U.S. firms into the Moroccan market.

3. Increased Technical Assistance and Training Costs

a. \$33,000 will be used to provide additional technical assistance and training to the Municipality of Tetouan (MUN), National Agency for the Fight Against Substandard Housing (ANHI), and Directorate of Local Governments (DCL), as described in the selected contractor's response to the RFP.

Responses to the RFP issued in November 1989 clearly indicated that a greater level of effort and operational costs would be required if all components of the multiyear technical assistance and training program were to be successfully implemented. The proposal of the selected contractor included greater home office management time, additional in-country project management, and more computer training hours than anticipated in the RFP. The cost of these additional elements is \$33,000.

b. \$146,000 will be used to provide financing for technical assistance to the technical services division of the Municipality and RDE.

The November RFP was limited to the managerial and financial elements of the Project. Technical activities are being contracted separately to allow the selection of the most appropriate firms. However, the high cost of the multiyear short term technical assistance contract for managerial and financial activities required the entire technical assistance and training budget. Consequently, an additional \$100,000 is needed to fund the remaining technical assistance and training components of the Project.

In addition \$46,000 will be used to finance a feasibility study for the privatization of the Municipality of Tetouan's solid waste disposal system and landfill.

4. Geographic Information System (GIS): \$250,000 will be used to assist the Municipality of Tetouan to set up a Geographic Information System and train personnel to better manage land tenure issues, infrastructure development and cost recovery systems.

Constant urban growth and the growing role of local government in equipping and managing urban centers requires the use of special analytical tools for resource management and control. Computer mapping technology and local data bases can lead to improved short, medium and long term control of the urban development process. USAID and Municipality research show that the most appropriate method for handling the complexities of the land registry would be equipping the Municipality with a Geographic Information System (GIS). The landmapping and data management capabilities of the system have a wide range of applications that permit improved management of all aspects of land and urban resources information. This will allow the Municipality to more effectively manage land use and infrastructure development. Such data is critical for the Municipality to efficiently assess and tax land and charge for the infrastructure and services it supplies. Consequently, the Municipality and USAID decided that GIS would be an efficient and appropriate tool, with which the Municipality could improve its management of the Urban Development Project. It is possible to foresee the long term extension of this system to the rest of Tetouan.

The National Urban Planning Research Center (CERAU), the research arm of the National Institute for Urban Planning, under the tutelage of the Ministry of Interior, already has a GIS laboratory established (with UNDP and Government of France assistance) and has been using GIS applications for other urban areas (i.e. Casablanca Prefecture Anfa). USAID, with appropriate external assistance, is reviewing a CERAU proposal in which it proposes to provide technical support and training to the Municipality's proposed GIS unit

in conjunction with USAID procured technical assistance and training. The existence of local experience with this type of system will provide important backup support for the activities in Tetouan. USAID would provide certain hardware and software to the CERAU in order to carry out its agreed upon role.

5. Rabat Based Personal Services Contractor (PSC) Project Manager: \$100,000 of new funds will be used to finance fifty percent of a PSC contract for three years.

Project supervision to date has been provided by a RHUDO financed Project Manager in Rabat. For the foreseeable future 50 percent of that Project Manager's work time will be devoted to the Tetouan Project. Consequently, half of the Project Manager's contract will now be financed by the Project.

6. A+E Services: \$100,000 to provide the services of an A+E firm to assist the ANHI Tetouan Project office for 30 months with monitoring the HG-001 construction activities.

A civil engineer has always been a part of the staffing plan for the ANHI project office in Tetouan. ANHI has, for the past two years, actively recruited an engineer, but has been unable to match private sector salaries and benefits with its government regulated compensation package. Now that construction activities have begun, they must be monitored by an engineer. While ANHI and the MOP are renegotiating compensation packages, it will probably be some time before they reach an agreement. ANHI has therefore proposed that USAID share the cost of procuring the needed monitoring services through a local A + E firm.

Should a USAID/Morocco review of the host country contracting capabilities of ANHI not result in a positive determination by the Mission Director of ANHI's contracting capabilities, direct contracting mechanisms will be used.

#### 7. Contracting Assessment

Prior to AID approval of any host country contract a determination will be made that the host country implementing agency has the capability to undertake such procurement. Such a determination will follow an assessment of the agency's capability conducted by a Chartered Accounting firm or such other firm(s) that are capable of rendering such service.

#### C. Project Activities January 1989 to Present

During the past year the following activities took place:

##### 1. Technical Assistance

##### a. Cost Recovery Studies.

A consolidated project beneficiary file has been completed as the first step in developing a system for the recovery of investments to be made under the HG-001 Program. The file reconciles inconsistencies in the records of the National Tax Office, the RDE and the land survey conducted for the ANHI.

b. Tetouan Zone d'Aménagement Concerté (ZAC) Study

The final stage of this study was completed in January 1990. Policy issues raised by the study were taken into consideration by the Government of Morocco in its formulation of a draft national urban planning law. The timeliness of the Study's presentation of policy issues has made it possible to forego the preparation of a National ZAC study, anticipated in PP Supplement II.

c. Short term Multiyear Technical Assistance and Training Activities

In November 1989 a Request for Proposal (RFP) was issued for the managerial and financial portion of the technical assistance and training services described in PP Supplement II. The contract is now in the final stages of review and negotiation.

d. Study of Terms of Reference (TOR) for the Tetouan Sewerage Master Plan

In January 1989 the USAID requested WASH to provide the services of a senior sanitary engineer to verify and finalize the completeness and accuracy of the TOR for the Tetouan Sewerage Master Plan Study. WASH provided a consultant who reviewed the TOR with the responsible municipal engineer and prepared an evaluation document to guide the Municipality of Tetouan in the evaluation and selection procedures to select a contractor for the studies.

In March 1989 the Municipality of Tetouan issued an International Solicitation of Interest as part of a prequalification process. Thirteen preselected firms visited Morocco and seven submitted final offers in December 1989. In January 1990 the proposals were evaluated and the preferred contractor selected. Contract negotiations will begin shortly with award of a contract scheduled for the fall of 1990.

2. Training

Participants attended the Regional Conference on Housing Finance held in Amman, Jordan in June 1989. The Municipal Engineer of the City of Tetouan who deals with the Sewerage Master Plan activities, has been sent to Florida to learn how local governments in the US run sewerage treatment facilities. Representatives of the Land Office, City of Tetouan and the ANHI Project Office in the City of Tetouan will present the Tetouan Project at the Lincoln Course on Land Development in June 1990; and the Project Chief of the Municipal Dersa-Samsa Project Office will attend the University of Pittsburgh Project Management course in the summer of 1990.

3. Commodities

Seven copies of DBase IV and 6 copies of Excel were purchased for Municipality (2), ANHI (3), DCL (2), SGT/GT (2), FEC (2) and RDE (2).

#### 4. Environmental Assessment

The environmental assessment will be carried out as part of the Sewerage Master Plan Study. A contractor has been selected and final negotiations will take place when financial arrangements for the Study are finalized.

### III. DETAILED PROJECT DESCRIPTION

#### A. Project Goal and Purpose.

The Tetouan Urban Development Project's overall goal, as defined in the HG-001 Program and the 608-0194 Grant Project Papers remains the same: to improve the shelter conditions of low-income households in urban areas of Morocco. Its purpose is to strengthen the institutional capacities of the GOM agencies implementing the HG-001 Tetouan Upgrading Project and to assist the GOM policy makers to address key urbanization issues.

Progress towards the Project's goal will be made by achieving the objectives of (a) upgrading a clandestine settlement and preventing its spread in a major Moroccan secondary city, and (b) developing a model of a comprehensive approach to urban development and shelter finance for low-income families. In accomplishing these objectives, the Project will:

- Support GOM policies which are aimed at solving the problem of the proliferation of clandestine settlements;
- Increase the availability of affordable shelter solutions for low-income families;
- Support initiatives to provide critical environmental services to major urban centers;
- Create an institutional structure capable of implementing similar projects in other urban areas;
- Support GOM efforts to strengthen local governments' ability to deliver services to residents on a cost-effective basis;
- Support existing financial institutions and intermediaries that will strengthen private capital market initiatives in the shelter sector.

#### B. Project Needs, Outputs and Inputs

The Tetouan Urban Development Project planned categories of project outputs are expanded as follows:

- Explicit management structures, reporting and decision procedures linking the implementing agencies in a project orientation; procedures and structures described and explained in documents and handbooks.

- Improved staff skills in project planning, management and monitoring in data base design, financial analysis, and communication (report writing, briefings).
- Operating micro-computer-based systems for project planning, financial and technical analysis of municipal services delivery and cost recovery, local and property tax collection.
- Design options and Environmental Assessment and Mitigation Plan for the Tetouan Urban Development Project's sewerage system.
- Land registry procedure for the HG-001 and other urban upgrading projects in Northern Morocco.
- Legal and institutional framework for ZAC development throughout Morocco.
- Autonomous financial institution providing improved financial and project management services to local government.

1. Technical Assistance, Training and Computerization

a. Community Infrastructure Fund "Fonds d'Equipement Communal" (FEC).

Though the outputs listed below remain fundamentally the same as those described in PP Supplement II, the methods required to increase municipal resources and project development through assistance to the FEC have been significantly changed by the decision to transform the FEC into an autonomous banking institution rather than create a new municipal banking institution (as described above under Rationale). Without a separate project supporting a new municipal Bank, as had been assumed in the previous PP Supplement, a more extensive assistance to the FEC is called for to ensure the Project's objectives.

A four part program is now planned:

(i) \$130,000 for studies (\$55,000 new funds)

USAID will contribute \$130,000 for the creation of a Study Fund to be managed by the FEC. The FEC has a project evaluation fund which is replenished through a levy on its net profit. This fund finances only project evaluation studies for eligible municipalities.

Uses of the proposed Study Fund will be restricted to:

(a) projects leading to privatization of municipal services and improved cost recovery of municipal services;

(b) preparation of a feasibility study for the purpose of mobilizing external resources; and,

(c) financing of selected topics that could be required by the DCL and the FEC, that serve the purposes of privatization of municipal services, improved cost recovery, improved municipal contracting procedures, improved project identification and design, and reduced municipal infrastructure standards.

It is estimated that ten such studies could be conducted during a three year period at an average cost of \$13,000 each by local consultants. The studies will be performed under host country contracting procedures, should the contracting assessment show the FEC to be capable of host country contracting.

ii. Fund for FEC Management Studies. (\$100,000)

\$100,000 have been earmarked for organization, management and resource mobilization studies designed specifically to assist the FEC to improve its own operations. Two to three studies will be conducted by US or Moroccan consultants through USAID direct contracting.

iii. The Training Component (\$100,000)

The training component is geared toward improving the operations of the FEC and creating the new management capabilities required by the autonomy of the FEC; particularly with respect to financial management and planning, resource mobilization and project evaluation. In this context the training will also be oriented towards the needs emerging from the ongoing decentralization process. This process will create seven regional branches: the first of which is scheduled to start operations by the end of 1990 in Agadir, with the technical assistance of the French.

Possible topics for training include long term financial planning, special financial instruments for municipalities, cash management, computers, accounting, decentralization and municipal finance and project evaluation. Training will occur for the most part in country with specific training courses carried out in the U.S.

iv. Management Information System (MIS) for the FEC (\$120,000)

The use of computers in the FEC, although introduced and utilized in an ad hoc manner, has resulted in a clear improvement in its capacity to handle its work load. At present the system includes 5 PC's and has reached saturation both in terms of memory size and terminal use. The current volume of operations and its prospective increase prohibit continuation of the past ad hoc computerization policy. Furthermore the accumulated staff experience warrants the use of a better performing integrated computer system.

Grant funds will be earmarked for an MIS study and for the procurement of computer hardware and software. The study, estimated at about \$20,000 will be carried out by local consultants. It will assess current uses, the computer needs and their medium term prospective growth. It will recommend the best alternatives for addressing these needs and prepare the specifications and tender documents for the equipment procurement. The remaining \$100,000 will be used to purchase computer hardware and software for the financial management and project evaluation departments.

This study and hardware will be procured through Direct AID contracting procedures.

#### Outputs

-- Improved management capabilities particularly in the areas of financial management, accounting and resource mobilization.

-- Improved project evaluation and selection.

-- Increased operating capacity and quality through the introduction of computerized MIS.

-- Improved project design through the systematic introduction of cost recovery and increased privatization of municipal services.

#### Inputs

-- Training to improve the financial management and project evaluation capabilities of the FEC, as well as training required for the opening of regional branches.

-- Technical Assistance for the design of computerized MIS.

-- Procurement of computer hardware and software.

-- Establishment of a study fund designed to encourage the privatization of municipal services, and the introduction of cost recovery of municipal investments and services.

-- Funds for carrying out studies related to improved organization and management and increased resource mobilization.

#### b. Municipality of Tetouan

##### i. Sewerage Master Plan Study (\$850,000)

While the objectives and outputs of this study remain the same as described in PP Supplement II, the inputs will be changed to include:

(a) Financing of the full foreign exchange costs of the study rather than the more limited Environmental Assessment Component.

##### ii. Increased technical assistance and training costs. (\$159,000)

(a) Multi year short term Technical Assistance and Training: The cost of the Technical Assistance and Training components that will be provided under this contract is higher than anticipated due to higher levels of project management and operational costs.

(b) Assistance to Municipality and RDE: The following activities approved as part of PP Supplement II, require additional funding to be carried out:

Municipality of Tetouan. Assistance to the Technical Services Divisions for Improved Service Delivery.

- Technical Services division chiefs trained in management and supervision.
- Solid waste collection and disposal plan developed for the city of Tetouan.
- Training in sewerage system design and operations and maintenance.
- Local Sewerage Committee (MUN, RDE, ANHI, Province) training in the fundamentals of sewerage system management in order to effectively oversee the Sewerage Master Plan Study.

(c) The additional short term technical assistance of an engineer to assist the Municipality in the review and approval of the Sewerage Master Plan Study. This assistance may be provided through an arrangement with cities in Florida that have already provided training in sewerage system operations for Tetouan.

Funds will be used to finance a feasibility study to examine the possibility of privatizing the solid waste disposal system and landfill management.

iii. Geographic Information System (\$250,000)

The decision to install a GIS system in the Municipality will permit the accomplishment of the following operational objectives:

- Cartographic Management: The GIS will allow the mapping of land ownership at present and over time.
- Infrastructure Management: The spatial management of infrastructure (existing and planned water and sewer networks).
- Update systematically mapping data and its interrelationship with cost recovery and land tenure data.

**Outputs**

- Improved physical and technical management of the Urban Development Project.
- Improved follow-up and monitoring of information needed to manage the project.
- Better coordination among the various implementing agencies.
- Ongoing analysis of spatial and environmental changes occurring in the project zone.

## Inputs

- Needs assessment by GIS specialist procured through an International City Managers Association (ICMA) buy-in. (completed June 1990)
- Procurement of computer hardware and software.
- Training of the computer municipal engineer and technicians in the application of the GIS technology.
- Intermittent technical assistance for two years to assure the application of the technology to all appropriate Municipal activities and the continued proper functioning of the system.
- Procurement of computer hardware and software.
- International and local training in remote sensing techniques and alternative Geographic Information Systems. Moroccan officials will also visit U.S. Municipalities using GIS.

### c. Regional Public Utility Agency (RDE) (\$20,000):

- Training in use of Microcomputer Software for Water/Sewer Network Optimization.
- RDE staff trained in the basics of computer programs for optimizing grid network designs.

### d. ANHI Tetouan Project (\$100,000):

To meet the objectives and provide the outputs attributed to the ANHI in PP Supplement II and for the reasons described above (Rationale), the additional input of engineering monitoring services contracted through an A+E firm, will be partially funded by USAID.

### e. Ministry of Interior/Directorate of Urban Planning and Environment and Ministry of Housing/Directorate of Regional Planning (\$48,000):

The \$48,000 intended to carry out the ZAC National Study under the auspices of these two government agencies is no longer needed for that purpose, as the relevant policy issues were raised by the Tetouan ZAC Study, submitted in January 1990.

### f. Other agencies:

Needs, outputs and inputs for the other agencies presented in PP Supplement II remain the same.

#### 2. USAID Rabat based Project Manager PSC (\$100,000)

To accomplish the program goals a project manager is needed to:

- Assist RHUDO/Rabat in monitoring of the Housing Guaranty Program (HG-001).

-- Work closely with the appropriate GOM and parastatal agencies, as well as the private sector, in the implementation of the Housing Guaranty Program (HG-001); assist GOM agencies and parastatals in the preparation of required project documentation (technical, financial and administrative), and provide advice to the GOM through the Ministries of Housing, Finance and Interior and parastatal agencies in meeting objectives of AID HG Program.

-- Review submissions and requests for disbursements under the HG-001 and provide recommendations to RHUDO Rabat for approval.

-- Travel extensively to project sites to review implementation status of housing and urban activities, meet with Moroccan officials to assist in timely execution of project activities.

-- Assist in project evaluation activities.

-- Implement and monitor all the studies under 608-0194 activities

This Scope of Work will require 50% of the time of the RHUDO Financed PSC. The Tetouan Urban Development Project (608-0194) will therefore pay 50% of the contract for a period of three years.

### 3. Resident Advisor (\$100,000)

An on-site, resident advisor will coordinate the TA and training activities and ensure that the activities are effectively integrated into the work schedules of the implementing agencies. This position is described in detail in Annex 7 of PP Supplement II.

## IV. FINANCIAL PLAN See Tables 3-4-5-6

## V. IMPLEMENTATION PLAN

### A. Institutional Agreements

Figure 1 shows the inter-agency and beneficiary agreements for the overall Tetouan Urban Development Program HG-001. The 608-0194 Project Grant Agreement between A.I.D. and the GOM's Ministry of Interior was signed in August 1986. The first Amendment to the 608-0194 Project Grant Agreement was signed in June 1987. The Second Amendment was signed in June 1989. Contracts issued to date under the 608-0194 Project and the HG-001 Program are listed in Tables 7 and 8.

### B. Project Administration

The Direction des Collectivités Locales (DCL), within the Ministry of Interior, is responsible for project oversight in collaboration with USAID/Rabat and RHUDO division. Day-to-day monitoring of the project will be performed by the Resident Advisor under the direct supervision of the RHO.

**C. Project Implementation Schedule**

The 608-0194 Project Implementation Plan, as presented in Figure 2, is based in the current estimated schedules of HG-001 program activities. Adjustments may be made, as required, to ensure 608-0194 activities remain logically connected to HG-001 implementation events.

As shown in Figure 2 the two activities that are behind schedule are the hiring of the Resident Advisor and the contracting of the multi-year short term technical assistance and training.

The hiring of the Resident Advisor was delayed pending resolution of administrative procedures (both USAID and Moroccan). USAID expects to complete contract negotiations by the end of June 1990. The procurement of the multi-year short term technical assistance and training services was also delayed. The RFP was issued in November of 1989, with bids evaluated in February 1990. Best and Final Offers were received in March 1990 and the contracting procedure is now in its final stages. The technical assistance program is expected to begin in September of 1990.

TABLE 3.  
608-0194 AMENDMENT AID INPUT COSTS,  
BY AGENCY (\$000)

INPUT CATEGORY	FEC	MUN	ANHI	DCL	RDE	OTHERS	TOTALS
<u>Tech.Assistance</u>							
Current LOP	75.0	593.5	161.0	64.0	57.0	118.0	1,068.5
New LOP	305.0	1,010.5	261.0	64.0	77.0	-0-	1,717.5
<u>Training:</u>							
Current LOP	6.0	31.0	19.0	17.0	12.0	11.0	96.0
New LOP	106.0	41.0	19.0	17.0	12.0	11.0	206.0
<u>Commodities:</u>							
Current LOP	14.0	85.0	69.0	29.0	40.0	15.0	252.0
New LOP	134.0	185.0	34.0	29.0	-0-	15.0	397.0
<u>Resident Advisor:</u>							
Current LOP	-----	-----	-----	-----	-----	100.0	100.0
New LOP	-----	-----	-----	-----	-----	100.0	100.0
<u>PSC Project Manager</u>							
New LOP	-----	-----	-----	-----	-----	100.0	100.0
<u>Sewerage Master Plan/ Env.Assessment</u>							
Current LOP	-----	150.0	-----	-----	-----	-----	150.0
New LOP	-----	850.0	-----	-----	-----	-----	850.0
<u>Audit &amp; Evaluation</u>							
Current LOP	-----	-----	-----	-----	-----	35.0	35.0
New LOP	-----	-----	-----	-----	-----	95.0	95.0
<u>Contingencies</u>							
Current LOP	-----	-----	-----	-----	-----	98.5	98.5
New LOP	-----	-----	-----	-----	-----	98.5	98.5
<u>TOTAL INPUTS</u>							
Current LOP	\$ 95.0	859.5	249.0	110	109.0	377.5	1,800.0
New LOP	\$545.0	2,086.5	314.0	110	89.0	419.5	3,564.0

TABLE 4

608-0194 AMENDMENT TOTAL PROJECT COST, AID AND GOM CONTRIBUTIONS  
(\$000)

<u>INPUT CATEGORY</u>	CURRENT LIFE OF PROJECT			NEW LIFE OF PROJECT		
	AID	GOM	TOTAL	AID	GOM	TOTAL
Technical Assistance	1,068.5	350.0	1,418.5	1,717.5	565	2,282.5
Training	96.0	30.0	126.0	206.0	65.0	271.0
Commodities	252.0	120.0	372.0	397.0	225.0	697.0
Resident Advisor	100.0	25.0	125.0	100.0	25.0	125.0
PSC Project Manager	---	---	---	100.0	---	100.0
Sewerage Master Plan/ Environmental Assessment	150.0	600.0	750.0	850.0	650.0	1,500.0
Audit & Evaluation	35.5	---	35.0	95.0	---	95.0
Contingency	98.5	---	98.5	98.5	---	98.5
TOTALS	\$1,800.0	\$1,125.0	\$2,925.0	\$3,564.0	1,530.0	5,169.0

TABLE 5  
608-0194 AMENDMENT AID COMMITMENTS, BY FISCAL YEAR  
(\$000)

<u>INPUT CATEGORY</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u> <u>1st QTR</u>	<u>FY 90</u> <u>3rd QTR</u>	<u>TOTAL</u> <u>COMMITMENTS</u> <u>TO DATE</u>	<u>FY 90</u> <u>4th</u> <u>QTRS</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>TOTAL NEW</u> <u>COMMITMENTS</u>	<u>LOP</u> <u>TOTAL</u>
Technical Assistance	—	254.0	—	27.17	281.17	20.0	591.0	507.0	278.33	40.0	1,436.33	1,71
Training	5.0	13.0	28.0	15.5	61.5	5.0	40.0	40.0	40.0	19.5	144.5	20
Commodities	137.0	—	—	23.5	160.5	5.0	135.0	96.5	—	—	236.5	39
Resident Advisor	—	—	—	—	—	10.0	30.0	30.0	30.0	—	100.0	10
PSC Project Manager	—	—	—	—	—	—	30.0	33.0	37.0	—	100.0	10
Sewerage Master Plan/ Environmental Assessment	—	—	—	—	—	850.0	—	—	—	—	850.0	85
Audit And Evaluation	—	—	—	—	—	40.0	20.0	—	—	35.0	95.0	9
Contingencies	—	—	—	—	—	—	—	—	—	98.5	98.5	9
<b>TOTALS</b>	<b>\$142.0</b>	<b>\$267.0</b>	<b>\$28.0</b>	<b>\$66.17</b>	<b>\$503.17</b>	<b>\$930.0</b>	<b>\$846.0</b>	<b>\$706.5</b>	<b>\$385.33</b>	<b>\$193.0</b>	<b>\$ 3,060.83</b>	<b>\$3,56</b>

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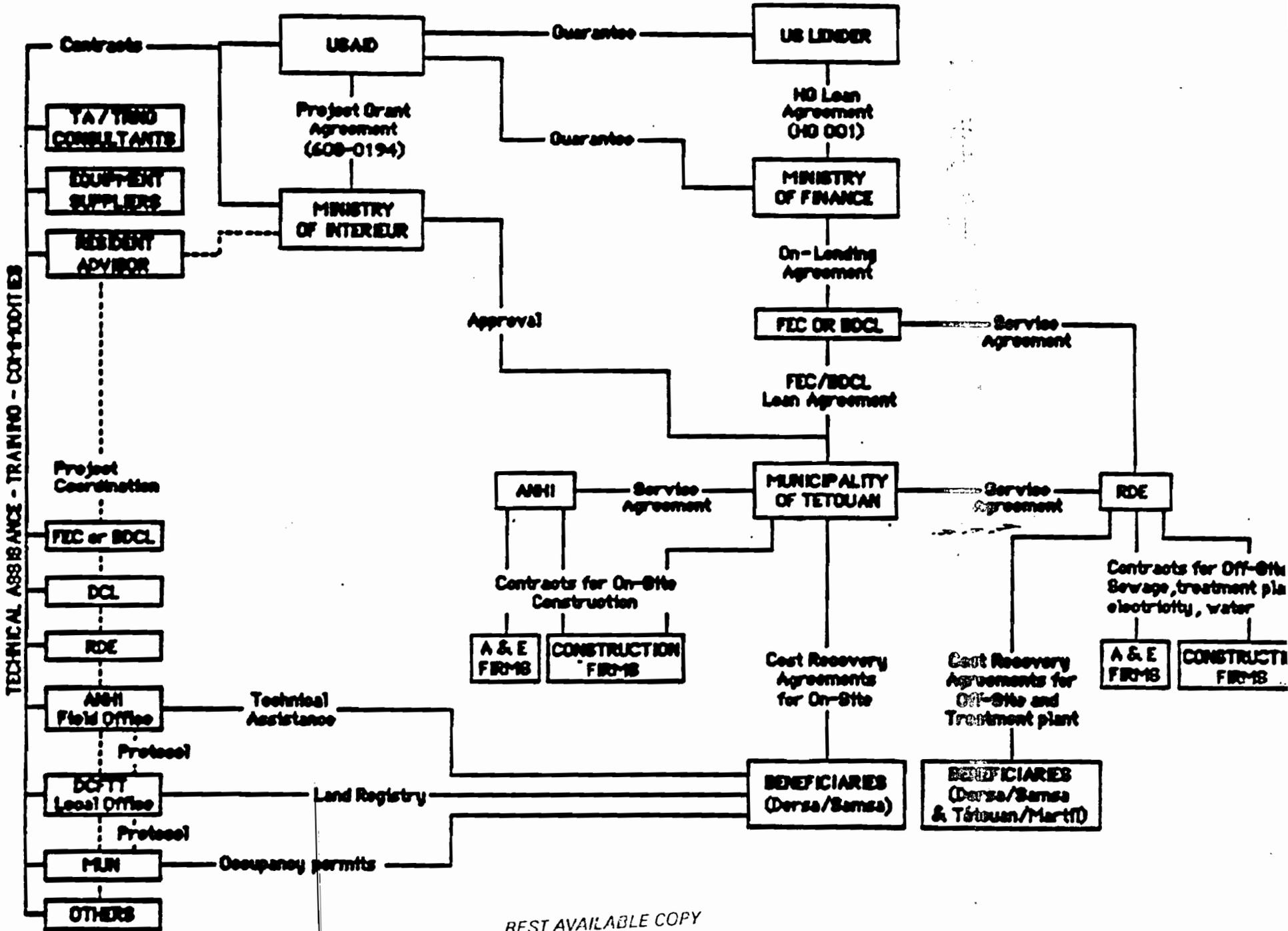
TABLE 6

608-0194 AID COMMITMENTS, FY 86 -- 3rd QTR. FY 90  
( \$000 )

Commitments (as of 05/90)

INPUT CATEGORY	FEC	MUN	ANHI	DCL	RDE	OTHERS	TOTALS
Technical Assistance	-	195.17	60.0	13.0	13.0	--	281.17
Training	1.0	21.50	14.0	12.0	7.0	6.0	61.5
Commodities	17.0	53.5	56.0	17.0	17.0	-	160.50
Resident Advisor	-	--	-	-	--	-	--
Sewerage Master Plan/ Environmental Assessment	--	--	--	--	--	--	--
TOTALS	\$18.0	\$270.17	\$130.0	\$42.0	\$37.0	\$6.0	\$503.17

FIGURE 1



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TABLE 7

TETOUAN URBAN DEVELOPMENT PROJECT 608-0194 GRANT  
CONTRACTS TO DATE, MAY 1990

ACTIVITIES	CONTRACTOR	START DATE	COMPLETION DATE	COMMITMENTS TO DATE (DOLLARS)	BENEFICIARY INSTITUTIONS
<b>TECHNICAL ASSISTANCE</b>					
<u>Cost Recovery Studies</u> Analysis of performance to date in collecting property and local taxes in Tetouan. Design and implementation of cost recovery procedures for HG-001.	Deprat (PSC)	12/87	12/89	\$13,928	MUN - RDE
<u>Training and Technical Assistance Needs Assessment Program</u> for the implementing agencies of HG-001.	RTI (U.S.)	1/88	5/88	\$52,000	ANHI(T)-MUN-RDE-FEC-DCL
<u>Property Tax software Program:</u> Review of existing recordation procedures, software development for project, training and follow-up.	RTI (U.S.)	1/88	5/88	\$47,500	MUN
<u>ZAC Study:</u> Proposal for development of Tetouan ZAC, incorporating analyses of the land, legal, institutional, financial and marketing issues.	PADCO (U.S.)	5/88	1989	\$103,591	MUN - ANHI - RDE
<u>Sewerage Master Plan Study</u>	LEGER	1/89	2/89	\$ 9,394	MUN
<u>Urban Development Project Preparation: World Design Exposition</u>	WORLD DESIGN	6/89	6/89	\$ 6,194	MUN
<u>Project Paper Supplement</u>	KANOUN (PSC)	4/90	4/93	\$46,072	FEC
<u>Closing of HG-001 Borrowing</u>	SAKOUT	5/90	5/90	\$ 2,400	FEC
<b>COMMODITIES</b>					
<u>Computers, software, related training:</u> <u>Previous procurement:</u> FEC(1), DCL(1), MUN(3) ANHI(4), RDE(1)	DCI (Morocco)	11/87	5/88	\$145,333	ANHI-FEC-RDE-DCL
<u>Software purchase:</u> DBASE VI & EXCELL FEC(1), DCL(1), MUN(1), ANHI(2), RDE(1).	DCI Morocco	7/89	12/89	\$ 5,960	ANHI-FEC-RDE-DCL
<u>Printing of 20,000 Beneficiaries Files</u>	WORLD DESIGN	1/90		\$ 9,150	MUN
<b>TRAINING</b>					
<u>- Previous Training:</u> <u>to November 1988:</u> Service Delivery, Decentralization, Land Issues Project Mgt, Water pricing	7/87			\$46,257	ANHI-MUN-RDE-FEC-DCL
<u>- On-going Training:</u> Housing Finance, Sewerage Management, Land Development, Land Management (Overseas training for GOM officials involved in HG-001)	6/89	(on-going)		\$15,507	ANHI-MUN

TETOUM URBAN DEVELOPMENT PROJECT  
 CONTRACT'S CURRENT STATUS FOR HG-001 - JUNE 30, 1990

TYPE OF ACTIVITIES	START DATE	CONTRACTOR CONTRACT NO	DATE OF COMPLETION	SOURCE OF FUNDING*	TOTAL AMOUNT DH	BENEFICIARY INSTITUTION	PROJECT COMPONENTS
<b>I. For Studies</b>							
<b>A. Upgrading Area</b>							
1/ Monitor the sewerage & roads work for the 200 replacement houses	01/89	TUM	08/90 32/88	FEC	54.700,00	MUN	Replacement Houses
2/ Contract with LPEE for the "control & testing" for the 200 replacement houses	10/88	L.P.E.E. 34/88	03/91	FEC	59.559,50	MUN	Replacement Houses
3/ Monitoring Construction activities for the onsite sewerage.							
-First Tranche		Arco Etude (09/90)		FEC	85.000		
-Second tranche		Arco Etude (10/90)		FEC	85.000		
-Third tranche		Arco Etude (11/90)		FEC	119.500		
<b>B. Site &amp; Services</b>							
4/ Urban Dev. Study for the site and Services component (Samsa 60 ha)	02/90	Architect Haraj/Banzi	06/90	FEC	522.500	MUN	Site & Services
5/ Monitor the Sewerage roads works for the 60 ha	01/89 05/90	TUM 04/90		FEC	519.800		
<b>C. ZAC Area</b>							
6/ Study & Monitoring of the main sewerage and roads works		INGEPRO/Tanger 13/90		FEC	295.000		ZAC Area
<b>D. Land Studies</b>							
7/ Contract for topographical & cadastral parcels for the MUN's land & for the 5400 parcels in the the upgrading area.		Thibeau 12/90			1 810.000,000		
<b>II. For Construction Activities</b>							
<b>A. Upgrading area:</b>							
1/ 200 replacement houses in Samsa area which have been displaced by upgrading in Dersa-Samsa	10/88	CERIS 13/88	04/90	FEC	1.581.173,74	MUN	200 replacement houses
2/ Completion of the 200 replacement houses	02/90	ERF89	02/91	FEC	17.205.937,10	MUN	— — —
3/ Sewerage and roads 200 replacement houses	02/90	EDEP 03/89	08/90	FEC	1.189.914,00	MUN	— — —
4/ Potable water work for 200 replacement houses		RDE 04/90		FEC	968.639,55	MUN	— — —
5/ Electricity work for 200 replacement houses		RDE 05/90		FEC	1.254.525,52	MUN	— — —
6/ Main sewerage infrastructure work (1st tranche)	03/90	S.E.T 2/90	01/91	FEC	7.676.331,30	MUN	Upgrading Area
7/ Main sewerage infrastructure work (2nd tranche)	03/90	HIDA S.A. 3/90	03/91	FEC	7.413.426,90	MUN	Upgrading Area
8/ Main sewerage infrastructure work (3rd Tranche)	07/90	HIDA 08/90	05/91	FEC	7.127.169,39	MUN	Upgrading Area
		Commitment to Date		TOTAL DH	47.969.173,00		
				\$ 1 = 8.8 DH	\$5.451,042		

\* All the expenditures are eligible to HG funding and are covered by the first disbursement \$8.5 million.

**D. Technical Assistance and Training**

The underlying premises of the technical assistance and training plan with respect to coordinating the activities with the overall needs of the HG-001 Program and the scheduling needs of the recipient agencies remain as stated in PP Supplement II.

However, as is evident in the project implementation schedule, technical assistance and training now involves more separate activities than originally planned. Activities have been divided into discrete units to allow the most appropriate types of firms to be selected for the different types of activities.

The technical assistance and training plan now consists of the following components:

1. Multi-year short term technical assistance for financial and managerial services. Contract negotiations to be completed June 1990. (Detailed plan Figure 3).
2. Intermittent short term technical assistance for the technical services division of the Municipality of Tetouan and the Regional Public Utility Agency (RDE). These services are to be provided through a buy-in to a centrally funded technical services contract with ICMA. The PIO/T is to be issued during the first quarter of FY 1991 with the services to begin in the second quarter of the same year. (Figure 2).
3. Design and Implementation of Geographic Information System (GIS) for the Municipality of Tetouan . Schedule is provided in Figure 2a.
4. Community Infrastructure Fund (FEC):
  - a/ FEC management studies
  - b/ Management Information Systems.

The schedule for these activities is provided in Figure 2.

Figure 2: PROJECT IMPLEMENTATION PLAN (608-0194)

May 1990

	FY 89				FY 90				FY 91				FY 92				FY 93				FY 94							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
<b>1/ F.E.C.</b>																												
<b>Technical assistance :</b>																												
<b>MANAGEMENT STUDIES</b>																												
PI0/T																												
Advertisement																												
Contract Negot. + Award																												
TA Services																												
<b>Computerization :</b>																												
<b>MAG. INFO. SYST.</b>																												
Needs Assessment																												
PI0/C																												
Advertisement																												
Contract Negot. + Award																												
Procurement																												
<b>2/ MUN./ANHI/DCL: SHORT TERM T.A.</b>																												
Contract Negot. + Award																												
TA Services																												
<b>3/ MUNICIPALITE</b>																												
<b>Geogr. Info. System :</b>																												
Needs Assessment																												
PI0/T/RFP																												
Advertisement																												
Contract Negot. + Award																												
TA Services																												
<b>Sev. Master Plan Study</b>																												
<b>Land Registry :</b>																												
PI0/T																												
Advertisement																												
Contract Negot. + Award																												
TA Services																												
<b>4/ MUN. / RDE</b>																												
<b>I.Q.C FOR TECHNICAL SERVICES</b>																												
PI0/T																												
TA Services																												
<b>5/ ANHI - T6tesan</b>																												
<b>A.E. Firm Services:</b>																												
PI0/T																												
Advertisement																												
Contract Negot. + Award																												
TA Services																												
<b>6/ MANAGEMENT</b>																												
<b>Resident Advisor:</b>																												
PSC Negotiation + Award																												
Long-Term TA																												
<b>P.S.C. Project Officer</b>																												
<b>7/ INTERNAT'L TRAINING</b>																												
<b>8/ PROJ. MONITORING + EVAL.</b>																												
Mgmt. Reports																												
Mid-Term Evaluation																												

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- FIGURE 3 -

TETOUAN URBAN DEVELOPMENT PROJECT  
 MULTI-YEAR TECHNICAL ASSISTANCE AND TRAINING SCHEDULE  
 PROPOSED ACTIVITY SCHEDULE

	1990			1991				1992				1993			
	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Tetouan Management System	X	XX	X												
Financial Management Training			XX												
Performance Mtrs. cost Acctng. Course			X												
Design			XX												
Implmt., Monitor Software			X		X										
Improve Financial Management						X	X								
Capital Budget System Assessment						X									
Procedures							XX								
Prepare Cap. Budget							X								
Follow-up								X							
Capital Op. Budget Training										XX					
Revenue Collection		X	X												
Analyze Tax Data															
Revenue Collection Computerization															
Identify Taxes							XX								
Programming							X	X							
Trng. Workshop								X							
Monitoring										XX					
Project Mgmt. - PDU															
Design Constrctn		XX	XX												
at System															
Computerize Tracking System			X		XX										
System Development															
Design Desk Stop System			X												
Financial Analysis Trng.			XX												

## E. Procurement Plan

All technical assistance, training and commodities for this Project will be procured competitively through AID direct contracts except for the Sewerage Master Plan Study, FEC Study activities and the A+E services for the ANHI which will be procured through Host Country Contracts.

### 1. Technical Assistance and Training:

(a) Multi-year short term TA/T for financial and managerial services. Contract negotiations to be completed May 1990.

(b) Long term TA/T for the technical services of the Municipality of Tetouan and the Regional Public Utility Agency (RDE). This assistance will be procured through a buy-in to a centrally funded technical services project.

(c) Design and implementation of Geographic Information System (GIS) for the Municipality of Tetouan. These services are to be procured through a buy-in to a centrally funded technical services contract.

#### (d) Community Infrastructure Fund:

i. FEC management studies: The Management Studies will be contracted through USAID direct contracts to both Moroccan and U.S. consulting firms.

ii. Management Information Systems: The MIS study will be performed by either a local or US consultant selected jointly by the FEC and USAID/RHUDO Rabat. An AID direct contract will be issued.

iii. Studies: This activity will finance approximately 10 studies as stated in the project description. The FEC will issue host country contracts for the studies and supervise their execution. USAID will reimburse 100% of the cost of each eligible study on the basis of finished work for a total amount of up to \$130,000. Payment procedures acceptable to AID will be outlined in a PIL.

### 2. Training and Conference:

The participation of GOM implementing agency officials in Moroccan and international short-term training programs will be arranged and paid for directly by USAID. Procurement will be by PIO/Ps for training activities; invitational travel orders will be issued for conference attendances. The training will consist of ad hoc conferences and seminars. The specific timing; therefore, cannot be anticipated. Participant selection will be made jointly by USAID and the GOM agency concerned. Training will be provided in third countries and the US as appropriate.

### 3. Commodities:

Computer hardware systems will be procured for both the FEC and the Municipality of Tetouan (GIS) based upon the respective needs assessment studies. For the FEC, hardware and software will be competitively procured from either a US or Moroccan source. Computer procurement for the Municipality (GIS) will be carried out by the contractor. The source and origin for commodities will be Code 000.

4. Sewerage System Design Options:

Environmental Assessment and Environmental Mitigation Plan.

The GOM will finance the local currency costs of the Sewerage Master Plan Study. USAID will finance the foreign exchange costs. The contract for the Study will be a competed host country contract.

Host country contract negotiations will be completed in September 1990 with the services beginning in November for a period of 18 months. Payment procedures acceptable to AID will be outlined in a PIL.

5. Personal Services Contractor (PSC) Project Manager.

RHUDO currently finances a Project Manager whose regional responsibilities include the management of the Tetouan Urban Development Program (HG-001) activities. Since those activities make up fifty percent of the Project Manager's workload, the Technical Assistance and Training component of the Program will pay 50 percent of the contract over a 3 year period.

6. A + E Services:

Services will be procured through a host country contract with a Moroccan A + E firm to provide the ANHI's Tetouan field office with monitoring and follow-up services for the implementation of HG-001 construction activities. The ANHI will pay the firm and be reimbursed a portion of the costs by USAID upon receipt of proof of payment. Payment procedures acceptable to AID will be outlined in a PIL.

Should a USAID/Morocco review of the host country contracting capabilities of ANHI not result in a positive determination by the Mission Director of ANHI's contracting capabilities, direct contracting mechanisms will be used.

7. Resident Advisor

Services are being competitively procured locally.

F. Methods of Implementation and Financing:

The following additions or changes are made to the table in PP Supplement II.

<u>Methods of Implementation</u>	<u>Methods of Financing</u>	<u>Approx. Amount</u>
1. Multi-year Technical Assistance, MUN/ANHI/DCL AID Direct Contract	Direct Pay	\$766,000
2. Training Invitational Travel (PIO/P)	Direct Pay	\$206,000
3. Commodities AID Direct Contract	Direct Pay	\$252,000

4a. FEC Management Studies	Direct Pay	\$100,000
AID Direct Contract		
FEC Study Fund	L/Comm	\$130,000
HCC		
b. FEC MIS	Direct Pay	\$120,000
AID Direct Contract		
5. MUN/GIS	Direct Pay	\$250,000
AID Direct Contract		
6. Sewerage Master Plan	L/Comm	\$850,000
HCC		
7. Technical Services	Direct Pay	\$146,000
AID Direct Contract		
8. A + E Services HCC	Direct Reimbursement	\$100,000
9. PSC Project Manager	<del>Direct Pay</del>	\$100,000
AID Direct Contract		
10 PSC Resident Advisor	Direct Pay	\$100,000
AID Direct Contract		
11. Audit/Contracting		
Assessment	Direct Pay	\$ 60,000
12. Contingencies	Direct Pay	\$ 98,500
13. Evaluations	Direct Pay	\$ 35,000
14. Current Commitments	Direct Pay	\$250,500

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**G. Audits:**

a) An audit of the Sewerage Master Plan Study host country contract will be performed as described under PP Supplement II.

b) Contracting Assessment: Prior to AID approval of any host country contract a determination will be made that the host country implementing agency has the capability to undertake such procurement. Such a determination will follow an assessment of the agency's capabilities conducted by a Chartered Accounting firm or such other firm(s) that are capable of rendering such service.

Should a USAID/Morocco review of the host country contracting capabilities of any GOM implementing entity not result in a positive determination by the Mission Director of the entity's contracting capabilities, direct contracting mechanisms will be used.

**H. Gray Amendment:**

Although funds to be authorized under this PP Supplement come from the BSM appropriation and, thus, are not subject to the Gray Amendment, the Mission will make its best effort to determine the potential to procure services from Gray Amendment entities. None of the contracts issued to date have been awarded to Gray Amendment entities.

## VI. MONITORING AND EVALUATION PLAN

The systems for monitoring project activities remain the same as described in PP Supplement II. RHUDO/Morocco is responsible for regular project monitoring. Financial monitoring is carried out on a quarterly basis. Semi-annual status reports are prepared as part of the Mission's established review activity.

Two evaluations of the Tetouan Urban Development Grant Project (608-0194) are planned. A mid-term project evaluation is scheduled for the first quarter of FY 91. It is to be performed by external contractors. It will concentrate on 1) assessing the effectiveness of the HG-001 institutional arrangement and its replicability; 2) the appropriateness of the financial mechanism used in HG-001 Program, and 3) the impact of the studies, training and technical assistance provided through the 608-0194 Grant on the participating institutions.

The final evaluation will be carried out in 1994, also by external contractors. The evaluation will assess the impact of project activities on the institutional capacities of entities charged with project implementation and the replicability of project outputs. The March 1986 and May 1988 Needs Assessments performed by RTI will constitute the baseline data for the final evaluation.

Evaluations of the Tetouan Urban Development Grant Project (608-0194) will be coordinated with evaluations of the HG-001 Program.

## VII. CONDITIONS AND COVENANTS

### A. Proposed Additional Conditions Precedent

#### 1. Municipality of Tetouan: Geographic Information System:

Prior to the disbursement of funds for the procurement of computer software and hardware for the Municipality, the Municipality will provide to AID, in form and substance satisfactory to AID, evidence that adequate technical support staff are assigned to work on the GIS activity.

#### 2. Municipality of Tetouan: Sewerage Master Plan Study:

Prior to the disbursement of funds under the grant for the procurement of technical services for the Sewerage Master Plan Study, the Municipality will provide A.I.D., in form and substance satisfactory to A.I.D., evidence that adequate funds are available to the Municipality to pay the Municipality's portion of contract costs on a timely basis.

#### 3. ANHI: Procurement of A + E services:

Prior to disbursement of funds for A + E services to ANHI, ANHI must provide to AID, in form and substance acceptable to AID (1) an acceptable SOW for such services, and (2) evidence that adequate funds are available to ANHI to pay ANHI's portion of contract costs on a timely basis.

No additional covenants are proposed

VIII. SUMMARY OF ANALYSES

A. The Institutional Analyses presented in the original PP and in the two PP Supplements remain unchanged for all of the agencies with the exception of the FEC. An institutional analysis of the CERAU is added, as the CERAU will be assisting in the establishment of the GIS and benefitting from the receipt of computer equipment.

1. Community Infrastructure Fund - (FEC): The FEC is the borrower of the HG-001 loan by agreement with the MOP. It then on lends the amount borrowed to the Municipality of Tetouan for financing project components. The HIC Agreement was signed in 1986. The FEC has received the first disbursement of \$8.5 million.

When PP Supplement II was in preparation, the GOM was in the process of creating a new Municipal Development Bank (BDCL). The new bank was to absorb the FEC and inherit its role and responsibilities with respect to the Tetouan Urban Development Program (HG-001).

In keeping with the recommendation of the USAID financed BDCL study, the GOM agreed that local government financing needs would best be served by a specialized institution managing increased and diversified resources for the purposes of municipal development. However, for internal political reasons, rather than create a new Municipal Development Bank, the GOM decided to transform the FEC into an autonomous municipal development institution. As such the FEC is assigned to carry out the recommendations and to reach the performance targets set forth in the above mentioned study and the subsequent BDCL resources study.

The FEC has already started its transition towards an autonomous municipal development bank. Its lending target for 1990 is DH 600 million of which DH 245 million have been authorized as of March 31, 1990. The disbursement target is DH 520 million of which DH 217 million have been disbursed as of March 31, 1990.

With respect to resource mobilization the FEC has successfully:

-- Launched a DH 300 million Municipal bond of which DH 100 million has already been mobilized.

-- Mobilized a DH 150 million advance from CDG.

The FEC has also taken steps to separate itself physically from the CDG. It has already purchased land for the construction of its own headquarters. Finally, preparations are underway to change the charter of the FEC from that of a CDG department to that of an autonomous institution and to raise its capital accordingly.

## 2. National Urban Planning Research Center (CERAU)

The National Urban Planning Research Center is the research arm of the National Institute for Urban Planning (INAU), under the tutelage of the Ministry of Interior. Since its creation in 1981, CERAU plays three roles:

- a. A public research office serving the central government administration, local governments and all other public or semi-public institutions;
- b. A research center; and
- c. An educational tool assuring the practical training of National Institute for Urban Planning students.

As a public research institute CERAU has been tasked by the Ministry of Interior and other organizations with a number of studies relevant to urban and rural areas, and including various themes such as housing (including evaluation of the HG-002 Program), urbanization (including the Tetouan Baseline Data Survey) and integrated rural development. These studies have been carried out by multi-disciplinary teams composed of teacher-researchers on staff at INAU, and occasionally assisted by outside consultants.

With respect to research activities, CERAU has investigated many subjects including land tenure, urban and housing models, data banks and geographic information systems.

To carry out these tasks CERAU relies on the professional staff of the INAU as well as its own full time staff. The full time staff consists of five employees including a geographic statistician, an urban planner, a civil engineer and two computer operators.

Technically CERAU is supported by a computer and teledetection laboratory established with support from UNDP and the Government of France. This laboratory is responsible for entering, calculating, correlating and mapping geographic data, including national land tenure and infrastructure data. It serves as a national observatory in the fields of housing, urbanization and land development.

Researchers at the lab develop geographic information systems which assist in land management. They develop urban data banks focussing on the management of public utility networks and the development of housing zones. They also develop a data base for the Moroccan national settlement system. They have established in a test commune a bank of rural data oriented towards agro-pastoral and forest development as well as land management. Finally they work with and print satellite images and develop teledetection applications such as soil use, mapping natural and man-made phenomenon, and monitoring urban growth. The laboratory is well equipped with the necessary hardware and software for accomplishing its objectives.

CERAU is also well supported by its documentation center which is designed to respond to the researchers needs with respect to the subjects of planning, urbanization and environment. To do so it collects all relevant information on these subjects. It provides needed documentation for IMAU studies and research as well as teaching. It analyzes and organizes the information to make it easily accessible and works in cooperation with other documentation centers to improve the circulation of information at the national and international levels.

**B. Social Soundness Analysis:** The social soundness analysis completed for HG-001 and contained in Section VI-D of the Project Paper remains valid.

**C. Environmental Analysis:** The last environmental statement for this project indicated that an Environmental Assessment (EA) would be completed for the design and construction of the sewerage treatment plant, and collection and disposal system pursuant to the requirements of the agency's Environmental Regulations. This EA will be completed as a part of the greater Tetouan Sewerage Master Plan study currently being contracted by the host country.

This project amendment provides an additional \$1,764,000 in grant funding for additional technical studies, technical assistance and training, computer systems, and project management services. All other project components and objectives remain essentially unchanged, including the proposed sewerage works (under HG-001) and associated Master Plan Study and EA. Accordingly, it is concluded that this amendment will not substantively alter the terms and conditions relating to the need for or timely completion of the EA required for the greater Tetouan Urban Development Program. Thus, no additional environmental examination is required for this project at this time. This determination is made in accordance with section 216.3 (a)(9) of the aforementioned regulations.

ANNEX I. A.

LOGICAL FRAMEWORK 608-0194

1. Sector Goal	Measure of Goal Achievement	Means of Verification	Assumptions for Achieving Goal
Improvement of shelter conditions in urban areas of Morocco for low-income families.	Improvement in census housing indicators for urban areas.	Comparison of 1982, 1990 and 1998 census data.	Continued GOM support of program shelter goals with priority given to low-income groups.
II. Purpose	End of Project Status	Means of Verification	Assumptions for Achieving Purpose
-To strengthen the institutional capacities of the GOM agencies implementing the Tetouan Urban Development Project and other similar project and to assist GOM policy makers to address key urbanization issues	-Successful completion of HGO01 activities through a cooperative effort of the implementing organizations. -Established and tested procedures and systems for interagency cooperation that can be deployed in other comprehensive urban development projects.	-Assessment of impact of the program as compared with the needs assessment. -Records and reports of USAID and GOM agencies.	-Continued GOM implementation of sector policy reforms. -Continued GOM support of decentralization policy. -Availability of adequate public resources. -Relevance of project activities to the needs of the beneficiary institutions.

III. Project Outputs	Magnitude of Outputs	Means of Verification	Assumptions for Achieving Outputs
<ul style="list-style-type: none"> <li>-Explicit management structures, reporting and decision procedures linking the implementing agencies in a project orientation; procedures and structures described and explained in documents and handbooks.</li> <li>-Improved staff skills in: project planning, management and monitoring, data base design, financial analysis, and communication (report writing, briefings).</li> <li>-Operating microcomputer-based systems for: project planning, financial analysis of municipal services delivery, cost recovery, local property tax collection, and large beneficiary as well as other data bases.</li> <li>-Design options, Environmental Assessment and Environment Mitigation Plan for the Tetouan Urban Development Project sewerage system and treatment facility.</li> <li>-Land registry procedure for other urban upgrading projects in Northern Morocco</li> <li>-Legal and institutional framework for ZAC development throughout Morocco.</li> <li>-Autonomous financial institution providing improved financial</li> </ul>	<ul style="list-style-type: none"> <li>-Effectiveness of management structures, and reporting and decision procedures (5 agencies).</li> <li>-Adequacy of documents and handbooks, both for the purposes of this project and for future use in comprehensive urban development projects elsewhere.</li> <li>-Managerial, technical, and other staff trained; improvements in skills and experience by functional area for the implementing agencies</li> <li>-Performance of and documentation for micro-computer-based systems and data for the project and future uses (approx. 12,000 beneficiary files).</li> <li>-Number and cost of municipal projects funded by the FEC.</li> </ul>	<ul style="list-style-type: none"> <li>-Project evaluation: <ul style="list-style-type: none"> <li>-- management audit</li> <li>- skills assessment</li> <li>- documentation review</li> <li>- software tests and data review.</li> </ul> </li> <li>-Records of GOM agencies.</li> <li>-TA and training reports, including trainee appraisals.</li> </ul>	<ul style="list-style-type: none"> <li>-Selection of viable GOM participant agencies.</li> <li>-Availability of qualified consultants</li> <li>-GOM allocation of staff and support resources.</li> </ul>

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IV. Inputs	Implementation Targets (LOP) (\$000)				Means of Verification	Assumptions for Providing Inputs
- Contracts with U.S. and Moroccan firms for providing short-term technical assistance and training to GOM agencies.	<u>Agency</u>	<u>TA</u>	<u>Trng</u>	<u>Commod.</u>	USAID and GOM records of: - obligations - disbursements - audits.	- Availability of funding. - CP's and covenants met.
- Grants for participation by GOM officials and project staff in overseas training programs and training programs conducted by in-country institutions.	FEC	305	106	134		
	MUN	1010.5	41	185		
	ANHI	261	19	34		
	DCL	64	17	29		
	RDE	77	12	-0-		
	Others	(118)	11	15		
	Res. Adv.	100	—	—		
	PSC Proj.					
	Manager	100				
	Sew. Master					
	Pl. Study	850				
	Audit & Eva.	95				
	Conting	98.5				
- Technical assistance to GOM agencies through a long-term contract with an on-site resident advisor.	Subtotal	2961.0	206	397		
	TOTALS	USAID	\$3,564,00			
		GOM	\$1,530,00			
- Grant for the study of design options, and performance of Environmental Assessment and Environmental Mitigation Plan for the sewerage system.						
- Project monitoring by Rabat-based Personal Services Contractors.						

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1990 Appropriations Act Sec. 523; FAA Sec. 634A. If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?
2. FAA Sec. 611(a). Prior to an obligation in excess of \$500,000, will there be:  
(a) engineering, financial or other plans necessary to carry out the assistance;  
and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

Congress was notified in June 1990. The Program Agreement will not be signed until the waiting period expires.

YES

No legislative action is required.

4. FAA Sec. 611(b); FY 1990 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

Project deals with city of Tetouan. However, outputs from this project will be replicated in urban situations throughout the Maghreb by both the GOM and USAID
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to:  
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The Project will promote the role of the private sector in production of low income shelter, and will assist U.S. A+E and construction companies to enter Moroccan market place.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The services of US private enterprise will be utilized the fullest extent practicable; it is anticipated that a US A+E firm will be providing design services for the Tetouan Sewerage Master Plan Study.

9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

The GOM is contributing approximately 25% total estimated costs. HC contribution will be used to finance in-kind services, and the local costs of A+E services.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

The USG does not own excess currencies of Morocco.

11. FY 1990 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

12. FY 1990 Appropriations Act Sec. 547. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

NO

13. FAA Sec. 119(g)(4)-(6) & (10). Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other

NO

NO

- wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? NO
14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? NO
15. FY 1990 Appropriations Act, Title II, under heading "Agency for International Development." If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A
16. FY 1990 Appropriations Act Sec. 537. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A
17. FY 1990 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures? N/A

18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

Requirements of the case-Zablocki Act will be complied with.

19. Trade Act Sec. 5164 (as interpreted by conference report), amending Metric Conversion Act of 1975 Sec. 2 (and as implemented through A.I.D. policy). Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

20. FY 1990 Appropriations Act, Title II, under heading "Women in Development." Will assistance be designed so that the percentage of women participants will be demonstrably increased?

21. FY 1990 Appropriations Act Sec. 592(a).  
If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies, has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

N/A

Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

**B. FUNDING CRITERIA FOR PROJECT**

**1. Development Assistance Project Criteria**

N/A - ESF

a. FY 1990 Appropriations Act Sec. 546 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

b. FAA Sec. 107. Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

c. FAA Sec. 281(b). Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

N/A - ESF

d. FAA Sec. 101(a). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

e. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will: (1) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries.

f. FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA." Does the project fit the criteria for the source of funds (functional account) being used?

N/A

g. FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA." Have local currencies generated by the sale of imports or foreign exchange by the government of a country in Sub-Saharan Africa from funds appropriated under Sub-Saharan Africa, DA been deposited in a special account established by that government, and are these local currencies available only for

use, in accordance with an agreement with the United States, for development activities which are consistent with the policy directions of Section 102 of the FAA and for necessary administrative requirements of the U. S. Government?

h. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

i. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

N/A

j. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes

k. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

N/A - ESF

l. FY 1990 Appropriations Act, under heading "Population, DA," and Sec. 535. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

N/A

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

N/A

Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?

In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

N/A

m. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

n. FY 1990 Appropriations Act Sec. 579. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and

N/A

private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

o. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a

Yes to extent applicable

condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; and (11)/utilize the resources and abilities of all relevant U.S. government agencies?

p. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project: (1) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (2)/take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

q. FAA Sec. 118(c)(14). Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas?

N/A

r. FAA Sec. 118(c)(15). Will assistance be used for: (1) activities which would result in the conversion of forest lands to the rearing of livestock; (2) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (3) the

N/A

colonization of forest lands; or (4) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

s. FY 1990 Appropriations Act Sec. 534(a). If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A

t. FY 1990 Appropriations Act Sec. 534(b). If assistance relates to energy, will such assistance focus on improved energy efficiency, increased use of renewable energy resources, and national energy plans (such as least-cost energy plans) which include investment in end-use efficiency and renewable energy resources?

N/A

Describe and give conclusions as to how such assistance will: (1) increase the energy expertise of A.I.D. staff, (2) help to develop analyses of energy-sector actions to minimize emissions of greenhouse gases at least cost, (3) develop energy-sector plans that employ end-use analysis and other techniques to identify cost-effective actions to minimize reliance on fossil fuels, (4) help to analyze fully environmental impacts (including impact on global warming), (5) improve efficiency in production, transmission, distribution, and use of energy, (6) assist in exploiting nonconventional renewable energy resources, including wind, solar, small-hydro, geo-thermal, and advanced

N/A

biomass systems, (7) expand efforts to meet the energy needs of the rural poor, (8) encourage host countries to sponsor meetings with United States energy efficiency experts to discuss the use of least-cost planning techniques, (9) help to develop a cadre of United States experts capable of providing technical assistance to developing countries on energy issues, and (10) strengthen cooperation on energy issues with the Department of Energy, EPA, World Bank, and Development Assistance Committee of the OECD.

u. FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA"

(as interpreted by conference report upon original enactment). If assistance will come from the Sub-Saharan Africa DA account, is it: (1) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (2) being provided in accordance with the policies contained in section 102 of the FAA; (3) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (4) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities; to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take

N/A

into account, in assisted policy reforms, the need to protect vulnerable groups; (5) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

v. International Development Act Sec. 711, FAA Sec. 463. If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (1) the world's oceans and atmosphere, (2) animal and plant species, and (3) parks and reserves; or describe how the exchange will promote: (4) natural resource management, (5) local conservation programs, (6) conservation training programs, (7) public commitment to conservation, (8) land and ecosystem management, and (9) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

w. FY 1990 Appropriations Act Sec. 515. If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

2. Development Assistance Project Criteria  
(Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. N/A

b. FAA Sec. 620(d). If assistance is for any ~~productive enterprise~~ which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? N/A

c. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? N/A

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? Yes

b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes? NO

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

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INFO ANPD-03 GC-01 GCAN-02 GCGN-01 ANMC-03 PRE-06 AAPF-01  
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INFO LOG-08 CIG-08 (B-00 0005-00 10-19 NEA-04 /023 R

DRAFTED BY: AID/ANE/PO/MEHA:DMASTERS:SW  
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AID/GC/ANE:OLUTEN (DRAFT) AID/ANE/MEHA:DOELANEY (DRAFT)  
AID/PPG:WALDEN (DRAFT) AID/ANE/PO/MEHA:PSMATHESON (DRAFT)  
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TO AMEMBASSY KABAT PRIORITY

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KIDAC FOR HARRY BRANGLICE, RHOON/MEHA

Z O 1205Z N/A

TRGS:  
SUBJECT: SEWERAGE MASTER PLAN STUDY, TETOUAN URBAN  
DEVELOPMENT PROJECT: 606-01841

REFTEL: KABAT 02808

1. REGRET THAT FOLLOWING CABLE TEXT, WHICH WE BELIEVED  
HAD BEEN TRANSMITTED SEVERAL WEEKS AGO, IN FACT WAS NOT  
TRANSMITTED. HOPE INFO BELOW WILL NEVERTHELESS BE OF  
SOME ASSISTANCE

2. SUMMARY: AS DISCUSSED WITH MISSION REPRESENTATIVES  
DURING PROGRAM WEEK, THE CONDITIONAL FINANCING OF  
SUBJECT STUDY AS PROPOSED IN REFTEL RAISES A NUMBER OF  
ISSUES. THESE ISSUES RELATE TO MIXED CREDIT FINANCING  
AND PROCEDURES ADOPTED TO UNDER AN ARRANGEMENT WITH THE  
OECD. AID GUIDANCE CONTAINED IN POLICY DETERMINATION  
NUMBER 2 IS PERTINENT IN THIS CONTEXT. IN LIGHT OF THE  
ABOVE, ADDITIONAL INFORMATION AND ANALYSIS WILL BE  
NEEDED BEFORE WE CAN PROCEED WITH PROPOSED PROCUREMENT  
ACTION. END SUMMARY.

3. PROPOSED ACTION: IN ORDER TO INCREASE THE

OPPORTUNITIES FOR U.S. AND E. FIRM TO BE AWARDED THE  
CONTRACT FOR THE TETOUAN SEWERAGE MASTER PLAN STUDIES,  
AID WOULD FINANCE A PORTION OF THE CONTRACT 400,000.  
150,000 THROUGH THE TETOUAN URBAN DEVELOPMENT GRANT  
PROJECT. IF AND ONLY IF, A U.S. FIRM WINS THE CONTRACT  
IN ORDER TO CONFORM WITH MOGCCAN PROCUREMENT LAW,  
REFTEL REQUESTS THAT AA/ANE AUTHORIZE CONSIDERATION OF  
PRICE IN THE EVALUATION OF PROPOSALS FOR THE PROVISION  
OF TECHNICAL AND PROFESSIONAL SERVICES WHICH WILL BE  
PARTIALLY FINANCED BY AN AID GRANT. THE ARGUMENTS  
OUTLINED IN REFTEL APPEAR REASONABLE, HOWEVER, THE  
PROPOSED FINANCING FORMULA EQUIVALENT TO 20 PERCENT  
CONCESSIONALITY TIED TO A U.S. FIRM BEING AWARDED THE  
CONTRACT POSES SOME DIFFICULTIES. THEREFORE, THE  
MISSION MAY WISH TO REVIEW THE IMPLICATIONS OF  
CONDITIONAL AND PARTIAL FINANCING OF THIS CONTRACT  
PARTICULARLY IN LIGHT OF ADHERENCE BY USG TO OECD  
20 GUIDELINES AND AID POLICY AS OUTLINED IN POLICY  
DETERMINATION NO. 2.

4. POLICY GUIDELINES. THE OECD GUIDELINES HAVE BEEN  
REVIEWED BY GC/ANE IN THE CONTEXT OF THE PROPOSED  
PROCUREMENT, INCLUDING THE FINANCING FORMULA. THE GC  
COMMENTS WERE FAXED TO RL4 07/26/89 AND POINTED OUT

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THAT THE PROPOSED GRANT APPEARS TO FALL WITHIN THE OECD  
ARRANGEMENT DEFINITION OF QUOTE TIED AID FINANCING  
UNQUOTE. UNDER THE ARRANGEMENT, THE MINIMUM  
CONCESSIONALITY TO UNDERTAKE A TIED AID TRANSACTION IS  
35 PERCENT FOR CONCESSIONALITY RANGING BETWEEN 35-45  
PERCENT. PRIOR THIS MEANS BEFORE THE COMMITMENT IS  
MADE! NOTIFICATION TO OTHER ARRANGEMENT PARTICIPANTS IS  
REQUIRED AND IN THIS SITUATION WOULD BE TWENTY WORKING  
DAYS AFTER ISSUANCE OF FINANCING COMMITMENT. IN  
ADDITION, AID POLICY OUTLINED IN P.D. NO. 2 REQUIRES  
THAT THE TIED AID FINANCING BE USED ONLY FOR QUOTE  
DEFENSIVE UNQUOTE PURPOSES, PLACING THE BURDEN ON  
USAID/BRUDD TO DOCUMENT OTHER DONOR ATTEMPTS TO  
INFLUENCE CONTRACT AWARD THROUGH CONCESSIONAL FINANCING.

5. OPTIONS. IN TERMS OF A FINANCING MINIMUM, IT WOULD  
APPEAR THAT THE AID GRANT WOULD HAVE TO BE INCREASED TO  
THE EQUIVALENT OF 35 PERCENT OF CONTRACT AMOUNT AND THE  
CASE WOULD HAVE TO MADE THAT THE ACTION IS DEFENSIVE.  
THE TWENTY DAY NOTIFICATION PROCEDURE THROUGH EXIM BANK  
WOULD ALSO HAVE TO BE FOLLOWED. ALTERNATIVELY, THE  
ENTIRE CONTRACT COULD BE UPON FINANCED IN WHICH CASE WE  
CAN PROCEED WITH THE ORIGINAL ACTION REQUEST. FINALLY,  
AN INTERMEDIATE APPROACH WOULD BE TO FINANCE 30 PERCENT

OF CONTRACT AMOUNT. IN THIS CASE, PROMPT NOTIFICATION  
WOULD BE REQUIRED. THIS MEANS NOT LONGER THAN TWO  
WORKING DAYS AFTER A COMMITMENT IS MADE! THE LATTER  
COURSE OF ACTION WILL REQUIRE THE STAFF TIME TO PREPARE  
JUSTIFICATION OF DEFENSIVE ACTION AND FORMAL  
NOTIFICATION. PLEASE ADVISE. BAKER

ROYAUME DU MAROC  
MINISTÈRE DE L'INTERIEUR  
PROVINCE DE TETOUAN  
CONSEIL MUNICIPAL



المملكة المغربية  
وزارة الداخلية  
عمالة إقليم تطوان  
المجلس البلدي

Le Président du Conseil Municipal  
de la ville de

Tétouan.

/-)

Monsieur le Directeur de l'U.S.A.I.D..

Rabat.

(\_) bjet : Financement de l'Etude du Schéma Directeur  
d'Assainissement liquide de la ville de  
Tétouan.

Projet AID N°6050194 \_ P.D.U. de Tétouan.

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Suite à nos discussions du 28/02/90 , à la  
Municipalité de Tétouan , J'ai l'honneur de vous  
demander de bien vouloir prendre en charge la partie  
en devise du montant de l'Etude du Schéma Directeur  
d'Assainissement liquide de Tétouan et ce dans le  
cadre de l'accord de don entre le Royaume du Maroc et  
les Etats Unis d'Amérique relatif au P.D.U. de  
Tétouan.

Veillez agréer, Monsieur le Directeur,

Initials & Date l'expression de mes sentiments distingués.

**ROYAUME DU MAROC  
MINISTRE DE L'INTERIEUR  
SECRETARIAT GENERAL  
DIRECTION GENERALE DES COLLECTIVITES  
LOCALES**

N° 134 /DGCL/DEDCC

**MONSIEUR LE DIRECTEUR DE L'USAID**

Objet :       Projet n° 608-194 de Développement Urbain  
              Dersa-Samsa de Tétouan

J'ai l'honneur de vous demander de bien vouloir étudier la possibilité d'une augmentation du crédit ouvert au titre du don dans le cadre du projet 608-194, visé en objet, en vue de faciliter le financement de nouvelles opérations d'investissement liées au projet.

Dans l'attente, veuillez croire Monsieur le Directeur à l'expression de mes meilleurs sentiments.

ROYAUME DU MAROC  
MINISTERE DE L'INTERIEUR

TETOUAN le

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PROVINCE DE TETOUAN

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MUNICIPALITE DE TETOUAN

N°173/90/P.D.U.

1664

LE PRESIDENT DU CONSEIL  
MUNICIPAL DE LA VILLE DE  
TETOUAN

OBJET : RH4DO

DATE : 04/02

INFO : DEC - DIDEC

PROG - CHRON - RF.

A Monsieur  
Le Chef de la Division  
Bureau Regional pour l'Habitat  
et l'Urbanisme U.S.A.I.D  
B.P 120 -Rabat-

Objet : Prêt H.G 001  
P.D.U Dersa-Samsa  
Besoin en Système d'Information Géographique  
de la Municipalité de Tétouan.

Dans le cadre de l'assistance technique de l'U.S.A.I.D au P.D.U Dersa-Samsa de Tétouan, la Municipalité de Tétouan désire continuer le processus d'amélioration de sa gestion par l'introduction de l'informatisation. Dans ce sens plusieurs contacts ont été pris avec le laboratoire de Micro-Infographie et Teledetection du Centre d'Etudes et Recherches en Aménagement et Urbanisme en vue d'instaurer à la Municipalité de Tétouan un Système d'Information Géographique

Aussi, j'ai l'honneur de vous suggérer de programmer au plus tôt une mission d'expertise en S.I.G pour l'identification des besoins et exigences de programmes à mettre au point avec le CERAU.

Veuillez agréer, Monsieur le Directeur, l'expression de mes sentiments

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Signé : Ahmed A. D. G. M.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON D C 20523

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, BUREAU FOR  
ASIA AND NEAR EAST

FROM: ANE/PD, Bruce J. Odell   
SUBJECT: Sewerage Master Plan Studies, Tetouan Urban Development  
Project (608-0194)

Problem: To waive AID policy to allow price as an evaluation criterion for technical or professional services related to the proposed ESP grant funding of \$150,000 for Sewerage Master Plan Studies contract under Tetouan Urban Development Project (608-0194).

Background: The proposed procurement is the last in a series of studies preliminary to the development of sewerage master plans for eight cities in Morocco. The other seven studies are being financed by the World Bank. International tenders for these seven studies were awarded on a competitive basis to European firms, primarily French firms, in association with Moroccan firms. RHUDO/NENA has been working closely with the municipality under the Tetouan Urban Development Project and the HG-001 Loan Program for the city of Tetouan. Historically, U.S. firms have not been active in the provision of urban planning services, or in fact other technical or professional services in Morocco. However, in this case a number of U.S. firms have responded to the call for pre-selection of qualified bidders and it is likely that several U.S. firms will prequalify. The amount of USAID financial support for the proposed contract, under the project grant agreement, was based on the estimated cost of financing an environmental assessment pursuant to Agency Environmental Procedures (22 CFR 216) to permit HG financing of sewerage infrastructure. During the design of Tetouan Urban Development Project, consideration was given to AID funding of a separate environmental study but it was decided that this course of action would not be practical. Thus the Sewerage Master Plan study will be comprehensive in scope, a component of which is of direct interest to AID, i.e., the Environmental Assessment. Since the municipality is responsible for financing the procurement, the municipality is required by Moroccan law to use GOM procurement rules. These rules require consideration of cost as a factor in the evaluation of proposals for professional and technical services.

Discussion: The municipality proposes to issue an international tender for the procurement, first prequalifying firms on the

basis of technical capability, then inviting both technical and cost proposals from prequalified firms. After elimination of unacceptable technical proposals, the cost proposals of responsive offerors will be opened, analyzed, and evaluated to determine the most advantageous offer. Normally, cost proposals will be given a weight of five to ten percent in making this determination. The municipality may then enter into negotiations with the highest ranked bidder, or may award without negotiations.

In the context of this procurement, the granting of an exception to the AID policy with regard to cost as a factor in contractor selection would be in the best interests of AID, the municipality of Tetouan, and the American A&E Community. The Tetouan municipality is a competent contracting agency, capable of balancing considerations of quality and price.

The issue of "mixed credits" does not arise in the context of this procurement (Rabat 08197). The financial arrangements, i.e., AID grant contribution of \$150,000 corresponding to the estimated environmental portion of the contract, will not be part of the bid package. A firm will be selected solely on the basis of the cost and technical quality of its proposal, not on financing terms. It is up to the municipality to obtain financing for the contract, not the suppliers of the services. The contract would be eligible for partial grant funding under the project only if the selected contractor is a U.S. firm.

Authority: As set forth in Para 2.2 of Chapter 1 of HB 11, the Regional Assistant Administrator has the authority to waive the AID procurement policy that price not be an evaluation criterion for technical or professional services.

Recommendation: That you sign below, authorizing an exception to AID policy concerning price as an evaluation factor in the award of this contract financed, in part, by AID.

Approved: Carol Adelman

Disapproved: \_\_\_\_\_

Date: 9/11/89

Attachments:  
Rabat 08197  
State 229352

Clearances:

DAA/ANE:JBlackton

ANE/MENA:WRiley

ANE/DP:PDavis

ANE/PD/ENV;MKux

GC/ANE:HMorris

M/SER/PPE:JMurphy

ANE/PD/PCS:JBritt

PPC/EA:JLa Pittus

PRE/H:JOtterbein

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substance  
substance

cc: PPC/PB:JPainter

M/AA/SER:JOWens

PPM/FM/PAFD:EOwens

USAID/Rabat

ANE/PD/MENA:DMasters:sw:09/06/89:Doc. #6330d

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Department of State

INCOMING  
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UNCLAS RABAT 08197

ADM AID

FOR PPG/EA M. RICH, GC/ANE H. HARRIS, AND PRE/I L.  
ROUSSEE

E.O. 12356 M/A  
SUBJECT: SEWERAGE MASTER PLAN STUDY, TETOUAN URBAN  
DEVELOPMENT PROJECT (G82-0194)

REFS: (A) RABAT 3800, (B) STATE 229352, (C) ARRANGEMENT  
ON GUIDELINES FOR OFFICIALLY SUPPORTED EXPORT CREDITS,  
(D) APRIL 27, 1988 MEMO FROM GC/ANE TO RLA

1. MISSION AND ANUDO BELIEVE THAT GC/ANE DETERMINATION  
THAT REF C IS APPLICABLE TO PROPOSED PROCUREMENT IS  
BASED ON ERRONEOUS ASSUMPTION THAT FINANCING  
ARRANGEMENTS ARE PART OF BID PACKAGE FOR SEWERAGE MASTER  
PLAN STUDIES, AND THAT AID OFFER OF PARTIAL FINANCING  
WAS INTENDED TO ENABLE US FIRM TO RECEIVE AWARD, IN THE  
FACE OF CONCESSIONAL FINANCING PACKAGING OFFERED BY  
OTHER DONORS. THE ARGUMENT PROVIDED IN MISSION'S CABLE,  
REFTEL A, REQUESTING CONSIDERATION OF COST AS A FACTOR  
IN SELECTION OF TECHNICAL SERVICES FOR SEWERAGE MASTER  
PLAN STUDIES DID NOT CONVEY CORRECTLY THE REASON FOR  
PARTIAL USAID FINANCING AND LED YOU TO THE WRONG  
CONCLUSION. REQUEST RECONSIDERATION OF DETERMINATION  
PROVIDED IN REFTEL B.

2. AFTER FURTHER DISCUSSION WITH GOM OFFICIALS, IT  
TURNS OUT THAT UNDER BIDDING PROCEDURES TO BE FOLLOWED  
FOR THE SUBJECT CONTRACT, FINANCIAL ARRANGEMENTS WILL  
NOT BE A PART OF THE BID PACKAGE. A FIRM WILL BE  
SELECTED ON THE BASIS OF THE COST AND TECHNICAL QUALITY  
OF ITS PROPOSAL. IT IS UP TO THE MUNICIPALITY TO OBTAIN  
FINANCING FOR THE CONTRACT, NOT THE SUPPLIERS OF THE  
SERVICES.

3. IN ADDITION, SINCE REFTEL A HAD WRITTEN, MANY US  
FIRMS RESPONDED TO THE CALL FOR PRE-SELECTION OF  
QUALIFIED BIDDERS, WE EXPECT THAT SEVERAL US FIRMS WILL  
BE PRE-QUALIFIED, AND A US FIRM HAS A GOOD CHANCE OF  
BEING SELECTED. GIVEN OUR BETTER UNDERSTANDING OF THE  
SITUATION AND AFTER A CAREFUL REVIEW OF THE PROJECT  
FILE, IT IS CLEAR THAT THE RATIONALE PROVIDED IN REFTEL  
A REQUEST OF CONSIDERATION OF COST AS A FACTOR IN THE  
SELECTION OF TECHNICAL SERVICES WAS ERRONEOUS.

4. THE AMOUNT OF USAID FINANCIAL SUPPORT OFFERED THE  
GOM FOR THE CONTRACT UNDER THE PROJECT GRANT AGREEMENT  
WAS BASED ON THE ESTIMATED COST OF FINANCING  
ENVIRONMENTAL IMPACT STUDIES REQUIRED BY REG 16 TO  
QUALIFY THE SEWERAGE WORK FOR MG FINANCING. AT THE TIME  
OF DESIGN OF B190, THE POSSIBILITY OF AID FUNDING AN  
ENVIRONMENTAL ASSESSMENT SEPARATE FROM REST OF SEWERAGE  
MASTER PLAN STUDY PACKAGE WAS DISCUSSED. HOWEVER, IT  
WAS FELT THAT IT WAS IMPRACTICABLE TO SPLIT THE MASTER

RABAT 08197 181710Z 4171 01:050 AID7900

STUDY INTO TWO SEPARATE CONTRACTS - ONE FOR  
ENVIRONMENTAL STUDIES AND ONE FOR THE BALANCE OF THE  
STUDIES. THE MISSION DECIDED THAT THE ENVIRONMENTAL  
STUDY SHOULD BE CARRIED OUT AS AN INTEGRATED PART OF THE  
OVERALL SEWERAGE MASTER PLAN. THUS, OUR OFFER WAS MADE  
TO FINANCE A PORTION OF THE TOTAL COST, REPRESENTING THE  
ESTIMATED COST OF AN ENVIRONMENTAL ASSESSMENT.

5. WE BELIEVE THAT REF C ARRANGEMENT WAS INTENDED TO  
LIMIT DONORS' ABILITY TO PROVIDE CONCESSIONAL FINANCING  
AS PART OF B-ID PACKAGE TO LOWER THE COST OF THE BID  
ARTIFICIALLY AND WAS NOT INTENDED TO COVER THIS TYPE OF  
SITUATION.

6. PLEASE PROCEED TO MODIFY REF A REQUEST FOR EXCEPTION  
TO AID POLICY, AS DEEMED APPROPRIATE, AND OBTAIN  
PERMISSION TO CONSIDER COST AS A FACTOR IN SELECTION OF  
TECHNICAL SERVICES IN THIS CASE. THIS WILL ALLOW  
MISSION TO KEEP ITS COMMITMENT TO FINANCE THE REQUIRED  
ENVIRONMENTAL STUDIES. USSERY

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ORIGIN AID-00

STATE 229352 0274 050300 0103390

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NO-07 FPA-02 RELO-01 ANAD-01 NUD-02 /035 00  
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DRAFTED BY: AID/ANE/PD/MENA:DMASTERS:SM  
APPROVED BY: AID/ANE/PD-BJDDLELL  
AID/OC/ANE-OLUTER (DRAFT) AID/ANE/MENA:ROLANEY (DRAFT)  
AID/PPC:BRIDEN (DRAFT) AID/ANE/PD/MENA:PSMATHESON (DRAFT)  
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619AC FOR HARRY BIRNOLTO, RMCDDTHENA

Z O 103501 N/A  
TAGS:

SUBJECT: SEWERAGE MASTER PLAN STUDY, TETOUAN URBAN  
DEVELOPMENT PROJECT 006-01541

REFTEL: EBART 02802

1. REGRET THAT FOLLOWING CABLE TEXT, WHICH WE BELIEVED  
HAD BEEN TRANSMITTED SEVERAL WEEKS AGO, IN FACT WAS NOT  
TRANSMITTED. NOPE INFO BELOW WILL NEVERTHELESS BE OF  
SOME ASSISTANCE

2. SUMMARY: AS DISCUSSED WITH MISSION REPRESENTATIVES  
DURING PROGRAM WEEK, THE CONDITIONAL FINANCING OF  
SUBJECT STUDY AS PROPOSED IN REFTEL RAISES A NUMBER OF  
ISSUES. THESE ISSUES RELATE TO MIXED CREDIT FINANCING  
AND PROCEDURES BONDED TO UNDER AN ARRANGEMENT WITH THE  
OECD. AID GUIDANCE CONTAINED IN POLICY DETERMINATION  
NUMBER 2 IS PERTINENT IN THIS CONTEXT. IN LIGHT OF THE  
ABOVE, ADDITIONAL INFORMATION AND ANALYSIS WILL BE  
NEEDED BEFORE WE CAN PROCEED WITH PROPOSED PROCUREMENT  
ACTION. END SUMMARY.

3. PROPOSED ACTION: IN ORDER TO INCREASE THE  
OPPORTUNITIES FOR U.S. AND E. FIRM TO BE AWARDED THE  
CONTRACT FOR THE TETOUAN SEWERAGE MASTER PLAN STUDY,  
AID WOULD FINANCE A PORTION OF THE CONTRACT (ODL  
150,000) THROUGH THE TETOUAN URBAN DEVELOPMENT GOVT.  
PROJECT, IF AND ONLY IF, A U.S. FIRM WINS THE CONTRACT  
IN ORDER TO CONFORM WITH MOGCCAN PROCUREMENT LAW.  
REFTEL REQUESTS THAT AA/ANE AUTHORIZE CONSIDERATION OF  
PRICE IN THE EVALUATION OF PROPOSALS FOR THE PROVISION  
OF TECHNICAL AND PROFESSIONAL SERVICES WHICH WILL BE  
PARTIALLY FINANCED BY AN AID GRANT. THE ARGUMENTS  
OUTLINED IN REFTEL APPEAR REASONABLE, HOWEVER, THE  
PROPOSED FINANCING FORMULA EQUIVALENT TO 50 PERCENT  
CONCESSIONALITY TIED TO A U.S. FIRM BEING AWARDED THE  
CONTRACT POSES SOME DIFFICULTIES. THEREFORE, THE  
MISSION MAY WISH TO REVIEW THE IMPLICATIONS OF  
CONCESSIONAL AND PARTIAL FINANCING OF THIS CONTRACT  
PARTICULARLY IN LIGHT OF ADHERENCE BY USG TO OECD  
SJ GUIDELINES AND AID POLICY AS OUTLINED IN POLICY  
DETERMINATION NO. 2.

4. POLICY GUIDELINES: THE OECD GUIDELINES HAVE BEEN  
REVIEWED BY GO/ANE IN THE CONTEXT OF THE PROPOSAL

THAT THE PROPOSED GRANT APPEARS TO FALL WITHIN THE OECD  
ARRANGEMENT DEFINITION OF QUOTE TIED AID FINANCING  
UNQUOTE. UNDER THE ARRANGEMENT, THE MINIMUM  
CONCESSIONALITY TO UNDERTAKE A TIED AID TRANSACTION IS  
35 PERCENT FOR CONCESSIONALITY RANGING BETWEEN 35-45  
PERCENT, PRIOR THIS MEANS BEFORE THE COMMITMENT IS  
MADE! NOTIFICATION TO OTHER ARRANGEMENT PARTICIPANTS IS  
REQUIRED AND IN THIS SITUATION WOULD BE TWENTY WORKING  
DAYS AFTER ISSUANCE OF FINANCING COMMITMENT. IN  
ADDITION, AID POLICY OUTLINED IN P.D. NO. 2 REQUIRES  
THAT THE TIED AID FINANCING BE USED ONLY FOR QUOTE  
DEFENSIVE UNQUOTE PURPOSES, PLACING THE BURDEN ON  
USAID/RHDDO TO DOCUMENT OTHER DONOR ATTEMPTS TO  
INFLUENCE CONTRACT AWARDS THROUGH CONCESSIONAL FINANCING.

5. OPTIONS: IN TERMS OF A FUNDING MINIMUM, IT WOULD  
APPEAR THAT THE AID GRANT WOULD HAVE TO BE INCREASED TO  
THE EQUIVALENT OF 35 PERCENT OF CONTRACT AMOUNT AND THE  
CASE WOULD HAVE TO MADE THAT THE ACTION IS DEFENSIVE.  
THE TWENTY DAY NOTIFICATION PROCEDURE THROUGH EXIM BANK  
WOULD ALSO HAVE TO BE FOLLOWED. ALTERNATIVELY, THE  
ENTIRE CONTRACT COULD BE GRANT FUNDED IN WHICH CASE WE  
CAN PROCEED WITH THE ORIGINAL ACTION REQUEST. FINALLY,  
AN INTERMEDIATE APPROACH WOULD BE TO FINANCE 50 PERCENT

OF CONTRACT AMOUNT. IN THIS CASE, PROMPT NOTIFICATION  
WOULD BE REQUIRED. THIS MEANS NOT LONGER THAN TWO  
WORKING DAYS AFTER A COMMITMENT IS MADE. THE LATTER  
COURSE OF ACTION WILL REQUIRE THE STAFF TIME TO PREPARE  
JUSTIFICATION OF DEFENSIVE ACTION AND FORMAL  
NOTIFICATION. PLEASE ADVISE. BAKER

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