

XD-PBI-188-A  
87329

**Evaluation of HG004C  
Tunisia Low Income Housing Project**

February 1993

Prepared By:  
Samir Kanoun

For:

Regional Housing and Urban Development Office (RHUDO)  
US Agency for International Development  
Tunis, Tunisia

The views herein are those of the author and do not necessarily reflect those of the Office of Housing and Urban Development or the US Agency for International Development.

11

**OUTLINE OF BASIC PROGRAM IDENTIFICATION DATA**

1. Country: Tunisia
2. Project title: H3004C
3. Project Number: 664-HG-004C.
4. Project Dates:
  - a. First Project Agreement: September 17 th. 1988
  - b. Final Obligation Date :
  - c. Most recent PACD :
5. Project Funding
  - a. HG Funds: US\$ 15 Millions
  - b. Other Major Donors: none
  - c. Host Country: US\$ 30 Million Equivalent

-----  
US\$ 45 Million Equivalent
6. Mode of implementation: Direct implementation by GOT, the Housing Bank and The Land Development Agency.
7. Project Designers: RHUDO/NENA USAID Tunis, GOT.
8. Responsible Mission Officials:
  - Mission Directors: Charles Weden  
George Carner  
James A. Graham
  - RHUDO Directors: David Ollinger  
David Liebson  
David I. PAINTER
9. Previous Evaluations: None

12

**HG004C EVALUATION.  
TABLE OF CONTENTS;**

1. MISSION NAME:
2. PROGRAM DESCRIPTION.
  - 2.1 Purpose of the Program.
  - 2.2 Program components:
    - 2.2.1 The housing finance institution:
    - 2.2.2 The Land Development Agency AFH;
    - 2.2.3 The Government of Tunisia GOT;
  - 2.3 Loan mechanism:
  - 2.4 Brief historical background:
3. PURPOSE OF THE EVALUATION AND METHODOLOGY USED:
4. FINDINGS AND CONCLUSIONS
  - 4.1 Summary:
  - 4.2 Program Achievements:
    - 4.2.1 BH program achievements;
      - 4.2.1.1 Restructuring of CNEL and equity capital:
      - 4.2.1.2 Land Financing and mortgage loans for expandable low income housing:
      - 4.2.1.3 Encouraging private developers:
      - 4.2.1.4 BH lending to Municipalities:
      - 4.2.1.5 Technical assistance to BH,
    - 4.2.2 AFH Achievements under the program;
      - 4.2.2.1 Introduction
      - 4.2.2.2 AFH policy achievements Under HG004C:
      - 4.2.2.3 Need to increase the supply of developable land;
      - 4.2.2.4 AFH land deliveries to developers;
      - 4.2.2.5 BH financing;
      - 4.2.2.6 Characteristics of AFH's land deliveries;

13

**HG004C EVALUATION.  
MAIN REPORT.**

1. This evaluation is conducted on behalf of RHUJO/NENA USAID Tunis.

2. PROGRAM DESCRIPTION.

HG004C 15 million program has been authorized in 1986 and signed on September 17th 1988. It was the first HG program in Tunisia that addresses policy and procedural changes while resulting in concrete production.

2.1 Purpose of the Program.

The program aims at increasing the supply of serviced land and housing that is affordable to households earning below the median income and improving access of these households to shelter through the introduction of new policy and institutional initiatives in the shelter sector. It addresses the constraints prevailing at the time of the design namely, the recurrent shortage of serviced land and/or housing affordable to low income beneficiaries and the resulting proliferation of substandard housing. This shortage was the result of several structural deficiencies including; a) the weakness of the housing finance institution and the absence of land financing b) the lack of private sector participation in low income shelter production c) cumbersome procedures for land delivery at the national and local levels, d) Norms and standards that are high and beyond the purchasing power of low income beneficiaries and d) depleted reserves of devolapble land.

2.2 Program components:

The program components consist of policy procedural and institutional initiative tailored towards alleviating the perceived constraints and centered around the housing finance institution, the land development agency ( AFH ) and the GOT which are the three implementing agencies of the program.

2.2.1 The housing finance institution:

The program calls for the transformation of the housing finance institution CNEL into an autonomous, private law bank (BH), with an authorized equity capital of 30 Million TD and a

14

fully paid in initial GOT subscription of at least the Dinar equivalent of \$ US 15 Million.

Under the program BH has to:

a) Make affordable mortgage loans available to program beneficiaries for the purchase of serviced housing sites.

b) Encourage private sector developers to produce affordable serviced housing sites ( as well as core housing units ) for sale to program beneficiaries and provide pre-sale financing for land development costs; and

c) Provide loans on a pilot basis, to a limited number of municipalities, for land acquisition and development of access roads and infrastructure to increase the availability of serviceable land for program beneficiaries. The acquisition of land shall be limited to pathways necessary for the above roads and infrastructure.

#### 2.2.2 The Land Development Agency (AFH);

The land development agency AFH has to revise its policies to emphasize land assembly and off-site infrastructure projects which will allow for wholesale transfer of developable land to developers with priority to private developers.

#### 2.2.3 The Government of Tunisia GOT;

GOT, through the Ministry of Public Works and Housing and the Ministry of Interior has to:

a) Encourage municipalities to avail themselves of the financing available from BH for activities set forth in paragraph 1.c. above.

b) Provide for improved coordination mechanisms between public utility companies and land developers;

c) Revise the standards and specifications for land servicing and housing construction to increase the affordability of shelter for program beneficiaries, and

d) Take the necessary steps to allow municipalities to fully recover their land development costs.

### 2.3 Loan mechanism:

HG 15 million Dollar funds are lent to the GOT which in turn provides the equivalent amount in local currency to BH as equity contribution. BH will provide during six years beginning from the date of the first disbursement the Dinar equivalent of \$ US 45 million as mortgage loans for program beneficiary purchase of serviced land and core housing produced by developers, predominantly private developers.

### 2.4 Brief historical background:

Until the mid eighties, organized and legal housing production focused mainly on high and middle income households and led to an important shortage of low income housing and the resulting proliferation of clandestine substandard housing. Organized housing production was dominated by a public system consisting of the Societe Nationale Immobiliere for housing construction, the Agence Fonciere d'Habitation AFH for serviced land production, the Caisse Nationale d'Epargne Logement for housing finance and the Fond de Promotion de Logements pour Salaries, FOPROLOS, for low income housing finance to salaried persons. A nascent private sector, attracted by the financing made available by CNEL, existed and produced mainly luxury housing on land purchased from AFH. The remaining production was carried out by owner builders for the high to median income categories; building quality housing on land purchased from AFH and to a very large extent by the informal system building substandard housing on clandestine settlements.

CNEL was created in 1974 and structured as an administrative public entity. It operated a contractual savings scheme designed initially to finance some 8000 Units per year. Proceeds from beneficiary savings were used to prefinance SNIT programs and to a much lesser extent state approved private housing programs earmarked for these same beneficiaries. The contractual savings scheme was opened to all categories of income. In practice, however most of the housing produced was not affordable to low income beneficiaries and CNEL issued more so called "immediate loans" to solvent non savers than it did to the savers whose funds financed the housing programs. Despite the immediate loans CNEL had excess liquidity as there were no housing products affordable to the majority of its savers particularly the low income categories.

FOPROLOS funds were housed at CNEL and replenished at the rate of approximately 25 million TD per year collected through a 2 and then 1% tax on all salaries paid. These funds were only partially used for lack of production of affordable serviced land and/ or housing.

AFH produced serviced land mainly for upper income households. Low income serviced sites were produced as special projects carried out on behalf of the government and financed through foreign aid such as HG004B. Most of the land used by AFH was purchased from the state at symbolic prices or preempted from private owners. Land production cycles were very long reaching up to 10 years. In fill land reserves were nearing depletions and pressing needs for additional infrastructure emerged particularly concerning sewer.

In face of this situation the GOT undertook a major substandard housing eradication program designed to eliminate or rehabilitate the existing. The GOT also changed its policies towards lowering the standards, encouraging the production of low income housing and the participation of the private sector in such production, encouraging private land development and encouraging municipal investments in trunk infrastructure.

3. PURPOSE OF THE EVALUATION AND METHODOLOGY USED:

The present evaluation is the single evaluation to be undertaken for this program. It is carried out while preparations are being made for authorizing the second disbursement under the program and work is underway for the identification and appraisal of a new HG 005 program. Its purpose is therefore twofold:

- To assess progress made in the implementation of the program and make appropriate recommendations for the remaining part of the program.

- To analyze and distill the experience gained so far with a view of providing pertinent input for the design of HG005 program.

The methodology used for this evaluation, carried out by two outside consultants, combines the study of program files, intensive interviews with the different parties involved (BH, AFH, GOT, Beneficiaries and private developers), analysis of the data provided by the various institutions and site visits. While carrying out the evaluation a special emphasis was put on the identification of impacts of the various policy, procedural and institutional changes introduced by the program.

Follow up meetings were organized with the heads of AFH and BH as well as the directorate of housing of the ministry of public works and housing to discuss the findings of the evaluation as well as the recommendations for improvement.

#### 4. FINDINGS AND CONCLUSIONS

This chapter will describe the findings as they relate to each of the implementing agencies. a section will be included to describe the findings relating to private sector developers. First a brief conclusion:

##### 4.1 Summary:

The policy and institutional initiatives introduced by the program were well received by GOT and the implementing agencies and officially adopted with the exception of the policies related to municipal borrowing and cost recovery. Progress on both the policy agenda and the physical output is satisfactory. The changes introduced by the program are now standard practices and policies, well imbedded in the shelter sector and gave tangible results such as the creation of affordable private low income shelter production, a performing housing finance institution and a sharp reduction in the proliferation of substandard housing. In the case of AFH the policies introduced by the program are currently an integral part of the official policy declaration of the Agency. However, although some land is being sold wholesale to private and public developers for further subdivision and/or construction and the Agency is still far from shifting its emphasis to land assembly and offsite infrastructure.

While the policies have been adopted their implementation in the field is amenable to improvement. Architectural designs for core housing suffer imperfections, relationships between the administration and private developers are sometimes strained and construction control and surveillance are absent or inefficient. These imperfections could be alleviated through targeted training and technical assistance during the remaining part of the program.

Current low income housing production is well beyond GOT and BH capacities to mobilize long term resources for mortgage financing. Failure to find a timely solution to this problem will jeopardize the sustainability of the program and its gains.

Five years after the HG004c signature the institutional setting, the procedure and shelter and housing delivery systems have tangibly improved. Two structural problems facing the shelter sector remain intact. The resource problem mentioned above and the persistent shortage of developed and developable land. These two problems should continue to be the focus of RHUDO/NENA USAID Tunis activities in Tunisia and particularly land delivery. AFH should be pressed to shift its emphasis to land assembly and off-site infrastructure as agreed in HG004C. But relying on AFH is now an obsolete solution. Municipalities

endowed with a good lending system and a corollary cost recovery should be caused to invest in urban infrastructure and to gear up with the pressing demands for urban land. Since sewer is the prominent infrastructure constraint, efforts should be made to address this issue with high priority. The study undertaken with USAID financial assistance on sewer strategies for Tunisia should be reactivated, as alternative sewer techniques that are environmentally safe could effectively help solve the land constraint and improve the affordability of shelter to low income beneficiaries.

#### 4.2 Program Achievements:

##### 4.2.1 BH program achievements;

##### 4.2.1.1 Restructuring of CNEL and equity capital:

One of the major institutional initiatives of HG004C is the transformation of CNEL into an autonomous private law Housing Bank with an initial subscribed and paid in capital of TD equivalent of US 15 million .

The decision to restructure CNEL was taken by a ministerial council held on June 30 th. 1988. The actual restructuring took place almost one year later on may 30 th. 1989 when CNEL officially became BH.

At the time of creation the equity capital of BH was 15.1 million TD in conformity with HG004C agreement. This capital was wholly owned by the state and totally paid in; in the form of a transfer of assets from the state to BH. The Capital of the bank has since been raised to 35 million TD. A first increase bringing the capital to 20 million TD was made in April 1992 through the consolidation of a State loan into equity capital. A second capital increase of 15 million TD took place shortly thereafter under the form of an equity shares issue to the public at large. An additional capital increase of TD 15 million is programmed for 1996.

Currently the structure of the capital of the bank is as follows:

State	57 %
Private	43 %

BH shares are quoted on the Tunisian stock exchange "Bourse" they were issued at 5 TDs per share in June 1992 and are currently trading for 7.2 TDs.

4.2.1.2 Land Financing and mortgage loans for expandable low income housing:

BH is currently a so called universal Bank engaged in all forms of commercial banking including foreign operations. As related to housing BH has diversified its products to include:

- Land financing,
- Home Improvement loans,
- Loans for the purchase of existing homes,
- Loans for luxury housing at full market rate and in amounts strictly based on borrowers capacity to pay and the value of the home.

a) Land financing;

Land financing loans are medium term loans not to exceed seven to ten years. Their maximum amount is set at 7000 TDs. In order to qualify for a land loan beneficiaries should deposit 3000 TDs at BH for a period of at least Three months. Loans for land acquisition are estimated at about TD 4 million for 1992 and are increasing at 10% per year. The land financing facility was very instrumental in accelerating sale of AFH serviced land stock. However it is not very clear that low income households are benefiting from this facility.

b) Loans for expandable core housing;

The number and amounts of mortgage loans for expandable low income core housing issued by CNEL and subsequently BH between 1988 and 1991 is summarized in the table below:

LOW INCOME MORTGAGES EXTENDED BY BH 1988-1991

YEAR	NUMBER	AMOUNT TD Mio	CUMU- LATIVE
1988	1895	12.5	12.5
1989	1986	14	26.5
1990	3005	25.1	51.6
1991	2553	27.8	79.4

In the four years between 1988 and 1991 BH has granted 79.4 TD million worth of affordable mortgages for expandable core housing. A recent verification of a meaning sample of these mortgages revealed that 88% of them or about 70 million

20

TDS were extended to eligible beneficiaries. According to HG004C program agreement BH should provide the dinar equivalent of US\$ 45 million in affordable mortgages to eligible program beneficiaries within six years of the first disbursement i.e by December 26th 1997. According to the table above BH satisfied this condition before even the first disbursement took place on December 1991. It should be noted that the first disbursement took place 30 months after the signature of the Agreement despite GOT timely satisfaction of relevant conditions precedent. The second disbursement has yet to take place.

*c) Resources for low income housing finance;*

Resources for low income finance are made available through the " Fonds de Promotion de Logements pour les Salaries " FOPROLOS. FOPROLOS is a special fund replenished through a 1% annual levy on all salaries paid and through loan repayments form FOPROLOS financed mortgages. Currently the fund is being replenished at a rate of approximately 39 million TDs; TD 25 million in new funds and TD 15 million in loan repayment.

Beneficiaries of FOPROLOS loans are salaried persons whose salaries do not exceed three times the minimum guaranteed salary "SMIG" .

The fund provides mortgage loans and construction finance as follows:

i/ Beneficiaries earning less than Twice the SMIG:

- Mortgage loan for a home not to exceed 50 square meters i.e. approximately 1490 sqf.
- Beneficiary cash payment equal to 10% of the cost.
- Monthly installment less than 40% of income.
- Interest rates of 5% with maturities of up to 25 Years.

ii/ Beneficiaries Earning between 2 and three times the SMIG

- Complementary loans of TD 528 at an interest rate of 8.25%

iii/ Housing construction loans

These loans are issued to developers for low income housing projects at the following conditions:

- Loan amount: 90% of estimated project cost, including land.
- Interest rate: Money market rate + 1.5 %,
- Maturity 3 years.

d) *Affordability of the Mortgage loans;*

Currently the median income is TD 270 per month in Tunis and TD 240 elsewhere in the country. the average cost per expandable core housing unit is about 14000 TD and affordability in Tunisia is officially defined as spending no more than 40% of income on Housing.

Typical financing for a core house is as follows:

- Beneficiary advance 1500 TD
- Mortgage loan at 5% over 25 years 12500 TD

The monthly installment on such a loan is 73 dinars or 27% of the median income in Tunis and 30% elsewhere. It should be noted that housing is slightly cheaper outside of Tunis.

Beneficiaries other than FOPROLOS can obtain BH regular contractual saving loans at 8.25% with maturities of up to 20 Years. Such beneficiaries pay monthly installments of 98.5 Dinars or 36% of their monthly income.

Most of the beneficiaries interviewed are paying monthly installments ranging between 60 and 90 dinars per month. Prior to moving to their purchased homes the used to pay monthly rents ranging between 45 and 75 TDs per month as tenants of units of comparable size and quality or slightly better. Household incomes ranged between 200 and 360 Dinars.

e) *Characteristics of the housing built;*

The table below is based on verifications made on the sites visited. It summarizes the characteristics of the core houses built by private and public developers:

**CHARACTERISTICS OF HOUSING BUILT**

SITE	SIZE Sqm	PLOT SIZE Sqm	DEVELOPER	PRICE
ZARZOUNA	42Sqm	97	SNIT	15500
FOUCHANA	47 to 55		ESSOUKNA	14900
KALAA KBIRA	41	135	SNIT	15000
ESSADA	43	84 to 100	PRIM	13500
SIDI SAHBI	35.7	102 to 11	SNIT	13000
SIDI SAHBI	33.5	85 TO 120	DHAMEN	NA

*f) Expendability of the housing built;*

Site visits revealed that private developers adopted architectural designs that are more responsive to beneficiary demand and provide in some instances several designs on the same site. Public developers on the other hand have a better quality construction.

Tunisian architects and developers have no experience with core housing design. SNIT for instance continues to leave a 4 meter frontage. Accordingly extensions on SNIT core houses are done on the street side.

Where beneficiaries built extensions they did so at high cost and with an undue waste of space for lack of professional architectural advice and/or pre-established extension drawings.

Technical assistance in architectural design for low income core housing, offered through BH to developers and their architects would help improve the layouts and designs for core low income housing. Pre-existing extension drawings should automatically be handed to beneficiaries and a solution should be found to control and technically assist construction of home extensions. In Morocco for instance ANHI, the public land developer, commissions private architects to follow up the construction on its sites for a period of three to five years and advise and assist beneficiaries. The honoraria of these architects are included in site development cost and recovered from beneficiaries at the time of plot purchases. These costs amount to a very small percentage of land cost but result in big savings to beneficiaries and better quality housing and neighborhoods.

**4.2.1.3 Encouraging private developers:**

*a) Factors that influenced the emergence of a private sector:*

*i/ Land Acquisition and development loans;*

Opening the land acquisition and development pre-sale financing facility at BH, prompted a rush towards private low income housing development. Previously land acquisition financing was deemed inflationary and banned. SNIT had by far the lion's share in shelter development and private developers were precluded as the requirement to come up with up-front equity financing to pay for land and land development costs made it impossible for them to participate. Only very few private developers were active in housing development. They

were well established developers with a good financial standing.

Currently, low income housing projects, can benefit from construction finance loans of up to 90% of the project cost including land acquisition and development costs. These loans are extended at positive real interest rates equal to the prevailing money market rate plus a 1.5% margin (now 13.25%) and have a three year maturity.

*ii/ Fiscal incentives*

The rush towards low income housing development has also been motivated by new fiscal incentives granted to developers and summarized below:

- Low registration tax for chartering the enterprise.
- Income tax exemption on 35% of capital subscribed in real estate development companies.
- Low fixed rate registration tax for cancelling sales promises.
- Low registration tax and land purchases.
- Low registration tax rate on borrowing contracts, property registration and all other project financing costs.
- Income tax exemptions of up to 50% of the profits realized on low income housing development operations.
- low fixed rate registration tax for land purchased from a land developer, and for new housing purchased from a developer.

These fiscal incentives are detailed in Law # 90-17 dated February 26 1990 relative to real estate development and its amendments as stated in Law # 91-76 dated August 2nd 1991 and the Finance Law of 1992.

*iii/ Simplification of administrative procedures and improvement of financing conditions;*

Finally private low income housing development has been helped by the acceleration and simplification administrative procedures such as the delivery of building permits and tangible improvements in financing such as raising the ceiling for housing finance made available through social security funds from 5000 to 10000 TD, extending FOPROLOS loan maturity from 20 to 25 years and lowering developer's up-front

participation in project financing from 20% to current 10% of project estimated costs.

b) *Private sector growth;*

The number of registered and approved real estate developpers has doubled between 1986 and 1991 to reach 253, as shown in the table below:

**REAL ESTATE COMPANY FORMATION**

YEAR	COMPANY FORMATION	CUMULATIVE
1986	12	125
1987	6	131
1988	11	142
1989	32	174
1990	49	223
1991	30	253

A clear acceleration in company formation has been noticed between 89 and 1991, fueled by the availability of financing and the fiscal incentives described above. It should be noticed however that not all the companies registered had real activity and that currently there is a slow down in company formation and in low income housing development. This slow down is the result of a current shortage in long term financial resouces for low income housing and depleted land reserves.

Relevant characteristics of real estate development companies are given in annex 1

b) *BH activities related to low income housing developers:*

The following tables summarize BH construction finance activities since its official creation in 1992:

**LOAN COMMITMENTS TO HOUSING DEVELOPERS**  
**TD Mio.**

	1989		1990		1991		1992	
	TD	%	TD	%	TD	%	TD	%
PUBLIC DEVELOPERS	15.5	49	36.8	48	25.9	27	41.1	53
PRIVATE DEVELOPERS	16.3	51	39.5	52	70.9	73	36.8	47
<b>TOTAL</b>	<b>31.8</b>		<b>76.3</b>		<b>96.8</b>		<b>77.9</b>	

**BH LOAN DISBURSEMENTS TO DEVELOPERS FOR LOW INCOME HOUSING**  
**TD (000)**

YEAR	PUBLIC DEVELOPERS		PRIVATE DEVELOPERS		TOTAL
	AMOUNT	%	AMOUNT	%	
1987	4328	100	0	0	4328
1988	9419	100	0	0	9419
1989	7176	53	5280	47	13436
1990	7774	54	6460	46	14334
1991	11658	37	19991	63	31649
1992 (LAST MONTHS ONLY)	7134	30	16305	70	23439

SOURCE : BASED ON DATA PROVIDED BY BH

*26*

**BH LOAN DISBURSEMENTS TO DEVELOPERS: HIGH INCOME HOUSING**  
**TD (000)**

YEAR	PUBLIC DEVELOPERS		PRIVATE DEVELOPERS		TOTAL
	AMOUNT	%	AMOUNT	%	
1987	13743	92	1118	8	14861
1988	3198	61	2008	39	5206
1989	10918	60	7054	40	17972
1990	9325	46	10998	54	20323
1991	6473	32	13845	68	20318
1992 (1992 6 YEST MONTHS ONLY)	3601	30	8424	70	12025

SOURCE : BASED ON DATA PROVIDED BY BH

**TOTAL BH DISBURSEMENTS FOR DEVELOPERS**

**TD (000)**

YEAR	PUBLIC DEVELOPERS		PRIVATE DEVELOPERS		TOTAL
	AMOUNT	%	AMOUNT	%	
1987	18071	94	1118	6	19198
1988	12617	86	2008	14	146
1989	18094	59	12334	41	30428
1990	17099	49	17458	51	34557
1991	18131	35	33836	65	51967
1992 (1992 6 YEST MONTHS ONLY)	10735	30	24729	70	35464

SOURCE : BASED ON DATA PROVIDED BY BH

27

The tables above clearly indicate the emergence of a private sector active in low income core housing development. Organised private production of legal low income housing did not exist prior to the program.

- BH activities clearly favored the private sector for all types of housing. BH disbursements for housing projects were 70% to private developers and 30% to public developers for both low income housing and other types of housing. Prior to the program 92% of CNEEL disbursements went to the public sector and 8% only went to private developers for housing projects catering to higher income groups. CNEEL role was limited to that of project administration. It was limited to providing the necessary financing for projects evaluated and approved at the ministry of Public works and housing and had no private sector promotion role whatsoever.

- In 1991 BH disbursement for housing construction were almost three times higher than they were in 1988 when the program was signed.

*d) Current situation;*

As mentioned above there is currently a slowdown in low income housing construction due to a resource shortage and to increased depletion of the stock of developable land particularly in the main urban centers. In the second half of 1992 BH sharply decreased its new commitments for low income housing projects and will continue to do so until a solution to the resources problem is found. According to both BH and the government the following solutions are being explored:

- Using part of the FOPiOLOs proceeds to subsidise interest rates on resources raised on the financial market for purposes of financing low income housing.

- Further targeting FOPROLOS loans towards lower income categories.

- Increasing beneficiary cash payment requirement from current 10% of unit cost to 15 or 20%.

- Introducing negative amortization.

- Raising additional resources through foreign borrowing.

The resource gap for low income housing during the period of the eighth plan ( 1992- 1996 ) is estimated at 150 million TDs.

Failure to come up with a timely solution to the resource problem will jeopardize program gains.

#### 4.2.1.4 BH lending to Municipalities:

Lending to Municipalities for trunk infrastructure extension did not take place. Alternative institutional solutions to municipal borrowing have been developed and are currently being implemented. A major World Bank municipal development program has been signed recently and is being implemented. This projects addresses the issue of municipal borrowing but is not specifically focused on trunk infrastructure extension. A 10 million Dollar HG004D project has been authorized on September 27 th. 1990. The program agreement is awaiting signature.

#### 4.2.1.5 Technical assistance to BH,

BH benefited from USAID technical assistance in the following areas:

- The identification of Savings Pockets: This was a study and survey aimed at identifying savings pockets and ways in which low income beneficiaries finance their housing. The study was instrumental in defining BH new products and BH savings collection strategies. The study was conducted by a consortium of local consulting firms. It was financed by USAID Tunis and carried out jointly with the World Bank.

- The Study on Small Developers: This study aimed at surveying the universe of formal and informal small developers and their methods of intervention with a view of identifying and targeting BH activities towards this group. The study took a very long time to complete due to changes in RHUDO/WENA USAID Tunis staff. It was not exploited to any useful end and no follow up was made on either part. The study was carried out by a Tunisian consulting firm; Perspectives Sociales.

- Study on the automation of BH activities. This study carried out by a US free lance consultant; Mr. William A. Ryan was very instrumental in defining BH automation strategy. It was well received by BH and served as a basis for defining USAID financed computer hardware and software procurement. More importantly it laid the basis for a more important undertaking currently Financed by the Canadian Agency For International Development and aiming at installing a fully integrated computerized information system covering both headquarters and branch network. According to BH management the bank has currently the most performing computer information system in Tunisia. However much remain to be done in comparison with the possibilities offered today elsewhere in developed countries in terms of integration, security and automation of additional activities and management procedures. It should be noted that

automation made a difference between former CNEL practices and current ones particularly as concerns accounting.

- BH received financial assistance for procurement of audiovisual and educational equipment for its training center. The training center helped BH carry out the important training activities that accompanied its creation. These ongoing training activities have been defined in a training plan developed with technical assistance from the French " Caisse Centrale de Cooperation Economique ". They concerned all categories of personnel across the board. IN 1991 for instance BH carried out 91 training activities totaling 2604 person days, at a cost of 125 000 TD and benefiting 673 persons.

- A seminar on housing projects evaluation was organized in 1990 for a group of more than 20 professionals from BH and some representatives from AFH and the ministry. The seminar was intended to introduce relevant staff members to the techniques of technical and financial analysis of housing projects from the point of view of a banker. The organizers a Higher Finance education institution the IFID was supposed to identify the most gifted participant for further intensive training and for staffing the project evaluation unit of BH. No follow up actions were taken and the impact of the seminar was limited.

- Other isolated training activities were undertaken such as the participation of the deputy chairman of BH in the FELS course, an information trip to the Jordan Housing Bank, and participation of BH staff in a seminar on small developers organized by the JHB>

- Study on BH procedure: This USAID financed study is in two parts. The first phase has been completed in September 1992. The purpose of the study was to adapt BH procedures to its new activities, to increased automation and towards increased accountability of the staff and security. The first part dealt with the diagnostic, and recommendations. The second phase which has yet to start is supposed to cover the detailed design and writing of the procedures, the accounting and the control systems as well as the organization and training of the accounting services. This study is very important for further streamlining BH operations and improving its efficiency.

#### 4.2.2 AFH Achievements under the program;

##### 4.2.2.1 Introduction

During the three years following signature of HG004C program AFH was plunged into a deep crisis and was subject to major audits and Administrative inquiries. Its management has been changed three times and its activities came nearly to a halt. With the current new Director General AFH seems to be returning to life and new projects are starting. All this has taken place

against a background of a deep financial crisis and new constraints such as the depletion of government owned land stock and the difficulties in raising the financing necessary. Very few households are willing to make advance payment for the acquisition of an AFH serviced plot as they did in the past. They are discouraged by the lengthy production cycles and they no longer have savings.

AFH crisis can briefly be characterized as follows:

- Accumulated losses as of December 31st 1991 reached 3.5 million TDs or 35% of AFH's equity capital as indicated in AFH condensed balance sheet for 1991 given in annex 2 .

- Short term debt reached 131 million TDs as of December 31st 1991 of which 89 million TDs in beneficiary advance payments and 28 million for consumables.

- Short term assets reached 131 million TDs also as of December 31st 1991. These assets consist in AFH land stock, both land under development and land simply kept as a reserve. These assets that are supposed to back up beneficiary advance payments warrant the following remarks:

- Because of the law of 1983 concerning the protection of agricultural land approximately 600 hectares or 56% of AFH's land reserves have been declared agricultural land and are therefore unfit for development. Solutions are being sought for selling or exchanging these land parcels but because of their classification as agricultural land it is expected that replacement costs will be much higher than what these parcels might sell for.

- 120 hectares of serviced land remained unsold as of December 31st 1989. They concern sites scattered all over the country namely those of Jalta, Gaafour, Dahmani, Tajerouine, Bou Arada, Zriba, Hajeb El Ayoun, Bir Ali Ben Khelifa, Djebnana, El hancha, Tataouine, Tozeur, Kebili, Mednine, Bouficha, Jelma and Matmata. The reason for bad sales are varied but are mainly:

- The absence of a sewer system: Several of the sites above have been equipped with piped sewer on-site. However there is no off-site sewer network to connect these sites to nor are there any alternative sewer solutions planned.

- The absence of demand: This concerns some politically motivated projects that have been

overdimensioned and that are not adapted to the local environment such as Kebili.

- In addition to the 120 hectares mentioned above AFH sites which have been sold or which are in progress contain an important number of plots reserved for public facilities. These plots totaling an area of approximately 76 hectares and estimated at 9 million TDs have not been paid by the administration.

- AFH continues to be overstaffed. Its staffing approaches four hundred persons of which only 30 are professionals including 15 engineers and architects.

#### 4.2.2.2 AFH policy achievements Under HG004C:

In 1990 AFH elaborated a performance contract " Contrat programme " covering the period 1991 to 1993. This contract is directly inspired from the recommendations of the ad-hoc commission on housing that have been approved by the restricted ministerial council of June 1989. This contract that governs AFH's activities for the period contains two policy initiatives directly related to HG004C. The first concerns off site development of land parcels for subsequent wholesale to developers. The second concerns adapting the production to the needs and purchasing power of low income beneficiaries through an increase in densities.

While HG004C calls for revising AFH policies to "... emphasize land assembly and off-site infrastructure projects which will allow for wholesale transfer to developers with priority to private developers" the contract program states that:

- "... In addition to ordinary plots, AFH will produce tracts equipped with off-site infrastructure for sale to private and public developers.

- "... However the production of such plots will be done to order; on the basis of firm orders and a clearly expressed demand."

- " The production of land tracts equipped with off-site infrastructure is allowed only on sites having a total area of at least 10 hectares ".

Although the policy statement constitutes an innovation and a step towards implementing the changes agreed to in HG004C, it falls short of what is expected. AFH is simply introducing wholesale of land to developers but it has yet to shift its emphasis to land assembly and off-site infrastructure projects.

The fact that land tracts are produced to order implies that developers have to come up with advance payments. This requirement is unrealistic and unproductive for two reasons. First AFH land development cycles average seven years and no developer can make plans for such a long period. Second most developers lack the financial resources necessary for the purchase of land and rely on banks ( BH ) for the pre-sale financing of land.

In an attempt to shorten its land production cycle and to make its land tracts offer more attractive AFH authorized construction of housing projects before completion of off-site infrastructure. Some developers bought into the offer but are not likely to do so in the future. In some instances off-site networks, when completed, were not in conformity with the plans and accordingly developers were not able to connect their sites to the sewer network because of incompatible elevations. In other instances developers completed their projects but were not able to sell or long periods because of delays in the construction of promised off-site infrastructure. In both cases developers made big losses.

#### 4.2.2.3 Need to increase the supply of developable land;

During the remaining implementation period of HG004C AFH should be encouraged to actually depart from its traditional land development activities and not only emphasize land assembly off site infrastructure and wholesale to developers but also to move towards partnerships with municipalities for trunk infrastructure projects where the emphasis will be the production of developable land and cost recovery of infrastructure rather than sale to beneficiaries or wholesale.

The need for such a move is imposed by the depletion of the stock of developable land and the cost of immobilizing huge financial amounts in land reserves during lengthy land development cycles. Cheap financing in the form of beneficiary advances has retracted so did quasi free government land transfers that fueled most of AFH past activities.

The suggested policy is now feasible due to the organization and actual emergence of a dynamic private land development sector that needs an adequate and constantly renewed supply of developable land for its survival.

#### 4.2.2.4 AFH land deliveries to developers;

According to AFH records, actual land deliveries to developers reached about 71 hectares as of December 1992.

Land sold to private developers:	41.2 hectares
Land sold to public developers:	30.2
	-----
Total	71.2

The detailed listings of the sites and tracts sizes is given in annex 3 . These records are apparently incomplete as BH records show an additional 5.17 hectares (See paragraph below)

4.2.2.5 BH financing;

BH records indicate that only 22.24 hectares have been prefinanced by BH. Among the tracts prefinanced by BH and produced by AFH 6 sites totaling 5.17 hectares show on BH records but not on AFH's as follows:

SITE	DEVELOPER	=UNITS	AREA. Sqm
MOURUJ III	SPIT	25	2500
KAIROUAN	CID	122	20860
MOUROUJ V	ESSAAD	75	11270
MENZ. HAYET	HADRUMETE	44	9390
BEN AROUS	IMMO	30	4128
MUROUJ III	SPM	32	3596
TOTAL		328	51744

It is not clear how the remaining 18 or 24 hectares have been prefinanced. Available data suggests the following possibilities:

- Developers selected another source of financing.
- The land has been purchase but not yet developed.
- The land has not yet been delivered and only an advance cash payment was made.

4.2.2.6 Charcteristics of AFH's land deliveries;

Most land delivered by AFH to date consists of tracts of land from old AFH sites that started before HG004C. These tracts of land have been down-zoned for low income housing. They usually have a very small dimension ( Less than a hectare ) and very often require little in-site servicing. More importantly their shapes and dimension did not allow for an efficient land use and wastages were observed. In the future AFH should

34

incorporate tracts of land for sale to developers in its original design and attempt to dimension these tracts accordingly.

Where AFH attempted to sell tracts of land on new sites that have not started and recover advance cash payments developers were very reluctant. Advance cash payments received have been minimal and range between 3% and 30% of the cost depending on work progress on the site.

Some tracts of land have been sold and built before completion of the sites and their connection to the sewer network. Such a practice could work and result in tangible time and financial savings provided good planning, scheduling and coordination. Unfortunately these conditions were not met. Housing was built and remained unsold until such time as connection to utility networks were made. These delays eroded developers profits and caused some to leave the profession.

#### 4.2.2.7 AFH Projected deliveries;

AFH is required to identify 80 additional hectares of land for sale to private developers as a condition for the second and final disbursement of the program. A list was provided in April 92 and included 81 hectares. This list, given in annex 4 is not in conformity with the requirements of HG004C specifying that the sites should be acceptable to BH. As of this date and based on data made available BH did not verify the acceptability of the list. This verification aims at assessing whether the tracts of land proposed are suitable for bankable private sector low income projects i.e among other things whether the tracts:

- Are in areas where there is a demand for low income housing among BH beneficiaries.
- Could be connected to public utility networks.
- Have clear property documents.
- Are ready for construction in a reasonably short period of time.

A quick examination of the list shows that several of the tracts are located on sites that have not even been purchased by AFH or for which the drawings and specification manuals are not ready. A sample of these tracts is given below:

SITE	AREA HECTARES
SELTENE	20
KASSERINE	4
MOBNASTIR	2
SAHLOUL 3	3
GROMBALIA	3
MEDINA III	6
DJERBA	4
SKHIRA	3
LE KEF	3
SILIANA III	2
TOTAL	50

The list proposed by AFH concerns mostly planned activities. Contrary to the requirements it does not provide enough land tracts that are clearly identified and ready in reasonably short time for private construction.

It is recommended that RHUDO/NENA USAID Tunis makes a close examination of this issue with a view of assessing whether AFH can deliver tracts of land in conformity with the letter and intent of HG004C and if necessary identify corrective actions.

#### 4.2.3 GOT policy achievements under HG004C;

In June 1988 GOT adopted a new housing policy making ample room for private sector participation in low income housing production. This new housing policy is in line with the purpose, policy and institutional initiatives pursued by HG004C. It is based on the recommendations of an ad-hoc housing commission of which relevant excerpts are given in annex 5.

-36-

4.2.3.1 Actions taken concerning the revision of norms and standards;

a) *Norms and standards;*

GOT new housing strategy calls for:

- Increased densities of the urban tissue bringing the average density to 40 to 50 units per hectares. These densities were 20 units per hectare. They resulted in wasteful land consumption and exclusion of low income beneficiaries from access to legally produced shelter.

- Revising land use characteristics in current urban plans and those in progress to allow new forms of housing that consume less land ( Dense single family units, attached housing, and multiple family housing)

- Adapting current land use regulations as well as set backs ,and heights of buildings to the requirement of smaller lot sizes and higher densities.

The new policy also calls for:

- Adapting the service levels,

- Considering staggered or gradual provision of infrastructure or services;

- Considering low cost alternatives that are environmentally safe particularly for sewer.

The latter three policy initiatives constitute good opportunities for the design of new programs in Tunisia. If adequately translated into realities they can contribute to solving the main issues concerning low income housing and particularly the supply of affordable urban land.

b) *Fiscal policy;*

In order to encourage the production of affordable low income housing GOT provided an attractive fiscal incentives package for housing or land development projects respecting affordable norms . These norms are defined in a ministerial order of November 27 1991 concerning the definition of social and priority housing given in annex 6. The order defines social housing as follows:

- Average plot size superior or equal to 120 Sqm with a minimum plot size of 80 Sqm.

- The cost per Sqm of serviced land not exceeding 20% of the minimum guaranteed wage.

- Core Unit size equal to or greater than 40 Sqm expandable to a minimum of 80 Sqm for single family housing. Multiple family housing should have a size of at least 60 Sqm per unit.

- Sales prices not exceeding 1.7 times the minimum guaranteed salary " SMIG ".

#### 4.2.3.2 Improving the coordination between public utility companies;

Coordination among the various parties concerned with land development particularly developers and public utility companies continues to be a major problem. It is one of the priorities included in the housing strategy of 1988. MEH is receiving technical assistance, under the World Bank fifth urban development project, aimed at developing coordination procedures between the various players active in urban and housing development. Two USAID financed studies, concerning the procedures for elaborating and approving physical plans and land development project and the second, constituted the first step in this direction.

As a concrete step to improving coordination SONEDE, the national public utility company in charge of water production and distribution, relinquished its monopoly over the construction of in-site water distribution networks. According to MEH, STEG the public utility company in charge of electricity is expected to do the same in the near future. Relinquishing past monopolies over in-site network construction allows developers to better coordinate work on site and to shorten site development duration.

#### 4.3 Impacts of the program;

##### 4.3.1 The emergence of a private sector active in low income shelter production;

A private sector active in low income housing production emerged from a situation nearly ex-nihilo. Its emergence could be traced to the introduction of land financing, the attractive fiscal incentives package put in place by the GOT, the active role of BH in promoting the activity and the measures undertaken towards lowering the norms and standards. During the period starting in 1988 the private sector has been the recipient of more than two thirds of BH construction and land development financing. The private sector has been active in both land development and housing construction. It developed approximately 120 hectares of land for low income housing or

about twice the land which has been made available to the program by AFH and launched and delivered more low income housing than SNIT.

#### 4.3.2 Improved low income housing delivery:

As a result of the program and the accompanying GOT policy initiatives housing production has been appreciably adapted to the needs. Low income households that had no choice but a hard to get government subsidized house or alternatively and more often a substandard clandestine house can now access the property of a legally produced and titled housing.

#### 4.3.3 Improved housing finance system:

Restructuring CNEI into an autonomous housing bank BH resulted in greater efficiency of the housing finance system. The improvements could be measured through:

- The volume of mortgage and construction loans which is much higher than that reached by CNEI.
- Improved procedures and better beneficiary satisfaction.
- Diversified products that are adapted to consumer needs.
- Improved coverage country wide.
- Improved loan recovery.
- Better housing project selection.

BH enjoys more management and decision autonomy than did CNEI and more accountability for the funds it manages. This autonomy and accountability will further increase as a result of the public sale of BH's equity.

Because of its autonomy and accountability BH is resisting pressures to finance public projects that are not bankable pushing AFH and SNIT to better appraise and select their projects. BH is also being active in prompting the administration to remove constraints that impede its operation such as the weakness of the institutions in charge of property registration.

As an autonomous banker BH is more interested in the development of the private sector which is a better client than the public sector.

#### 4.3.4 Reduced proliferation of clandestine housing;

The supply of low income housing made available through the program has effectively contributed to reducing the proliferation of clandestine substandard housing. According to the Ministry of Public Works and Housing clandestine housing fell from about 40% of new housing construction to about 20%. Furthermore most of the clandestine housing built consists of good quality middle to high income housing built without a permit as opposed to a predominance of substandard housing previously.

#### 4.4 Unforeseen problems:

Resources for financing low income mortgages have been provided through FOPROLOS. This fund is replenished through a 1% tax levy on all salaries paid yielding TD 25 million a year and reflows from previous loans of approximately TD 15 million per year.

Current low income housing production levels are estimated at 3500 units and the demand during the next 4 years is estimated at about 4000 units per year. Taking into account land and construction financing needs and expected cost escalations the resource requirements for sustaining a production of 4000 units are estimated at TD 80 million or twice the resources currently available through FOPROLOS.

Lack of resources already prompted BH to reduce its new commitments forcing several developers to leave the profession. Efforts are underway to find alternative resource solutions. GOT is heading towards better targeting of FOPROLOS beneficiaries, improving loan conditions, earmarking portions of FOPROLOS funds for interest rate subsidies and repayments of resources raised on the financial market and mobilizing resources from abroad.

Failure to find a timely solution to the above mentioned resource problems could jeopardize program gains.

### 5. IMPLEMENTATION PROBLEMS AND RELEVANT RECOMMENDATIONS:

#### 5.1 Problems met at BH

##### 5.1.1 PROJECT EVALUATION AND MONITORING:

The departments in charge of project evaluation are understaffed and the staff is not well trained in project evaluation and control. Annex A of HG004C agreement which is an integral part of the agreement states that BH should improve its project appraisal evaluation and control capability. A seminar was organized in this sense but the necessary follow up actions aiming at selecting and further training the most promising participants were not taken. Observed weaknesses concern both project evaluation and monitoring construction.

**RECOMMENDATION:**

BH should reinforce its project evaluation department through additional staffing and training.

BH should use the services of private monitoring and surveillance companies to insure that disbursements are made against actual works agreed upon and that the construction is sound and conform to plans.

**5.1.2 QUALITY OF SERVICE**

Private developers accounts are handled by regular BH staff and developers like beneficiaries have to stay in line and expose their problems in front the public. Very often the regular staff is not well qualified to give prompt answers to the problem and has to refer to other units.

**RECOMMENDATION:**

BH should create a special unit for the management of developers accounts. The staff should have enough decision autonomy to take the appropriate decisions diminishing the need to revert very often to the highest level of the organizational hierarchy.

**5.2 Problems met at AFH**

During the three years following signature of HG004C AFH plunged into a very deep crisis and was subject to frequent management changes. With the new management things seem to be picking up but the difficulties to be overcome are numerous and range from overstaffing and lack of qualifications to a huge financing crisis.

**5.2.1 AFH EMPHASIS:**

Rather than shifting its emphasis to land assembly, offsite infrastructure and wholesale of tracts of land to developers and particularly private developers as stated in the program agreement AFH simply introduced wholesale of land to low income housing developers and appears to be far from abandoning its past activities.

AFH requires prospective developers to make cash advances for the purchase of tracts of land before starting design and development. This practice is contrary to HG004C intent of encouraging pre-sale land financing to developers as no bank will lend money to a developers to take a purchase option on a tract of land.

**RECOMMENDATION;**

Discussions should take place with AFH and GOT to seek insurance that AFH will actually shift the emphasis of its operation to off-site development and will refrain from the practice of requiring cash advance payments from developers.

**5.2.2 MANAGEMENT OF SPECIAL PROJECTS:**

The staff in charge of HG004C is clearly unqualified. As a result project tracking data is hardly available and more importantly coordination with BH is very weak if not totally absent. A change took place lately but the new person in charge does not seem to have the punch necessary to push the agenda of HG004C.

**RECOMMENDATION;**

AFH should be asked to appoint a qualified project manager for special projects such as HG004B and HG004C. These projects concern implementation of new policies. They should be well tracked and their impacts constantly monitored and evaluated. This is not currently the case.

**5.2.3 PRICING:**

AFH does not have an adequate pricing policy. The main problems concerning pricing are as follows:

- Because of the lack of project cost data AFH pricing is based on the needs for overall financial equilibrium rather than actual project costs. Historical accounting is practiced and no provisions are made for land replacement costs. Accordingly AFH serviced land is being sold at prices lower than unserviced land sold by private owners in the vicinity and than those practiced by similar institutions in comparable countries. As a result and despite all the land that has been transferred to AFH by the GOT, AFH failed to build up the financial reserve necessary to finance its operations. Rather it eroded 30% of its capital through losses accumulated in the recent past. ( See condensed balance Sheet as of December 1991 given in annex 6 )

- Prices charged to developers are higher than those charged to beneficiaries of serviced plots in serviced

sites. These prices end up being two to three times higher when additional in-site development cost and the cost of land consumed by infrastructure are accounted for.

**RECOMMENDATIONS;**

- AFH should be asked to align the price of tracts of land sold to low income housing developers on those charged to regular beneficiaries on the same sites. In calculating these prices provisions should be made for development costs and for the cost of land to be consumed by infrastructure.

- AFH should reinforce its accounting services and introduce project accounts and cost accounting. Detailed accounting and good separation of accounts are prerequisites for the implementation of a good pricing policy allowing AFH to recover its costs, pay its debt, renew its assets and finance its growth.

**5.2.4 LOW PRODUCTION LEVELS;**

There has been a confusion in interpreting the program agreement regarding land delivery requirements. This confusion concerns whether the tracts of land sold to developers for purpose of low income housing that should be taken into account for the satisfaction of the conditions precedent should be tracts exclusively sold to private developers or sold to all developers and predominantly private developers. Both RHUDO and the implementing agencies are now leaning towards tracts of land sold exclusively to private developers. However the confusion is still causing some delays in processing the request for the second disbursement.

Notwithstanding the remark above AFH production of land has been very slow. Most of the tracts sold were Tracts from old sites down-zoned for sale to private development of low income housing.

AFH is meeting difficulties in identifying an additional 80 hectares earmarked for sale to private developers. The sites proposed are sites in the very early stages of identification and or development and are unlikely to be available for construction in a reasonably short time frame.

**RECOMMENDATION;**

- Organize a meeting with all operational directors and possibly project managers with a view:

a) Of informing them about HG004C. It should be noted that the program has not been well advertised and some confusion exists concerning its objectives.

b) Examining the possibility of identifying sites for sale to private developers where there is a demand. These sites should be well advanced and potentially deliverable in a reasonably short term.

- Focus future programs on increasing the supply of developable land through extension of trunk infrastructure and particularly sewer. Reinforcing the institutions, introducing alternative low cost, environmentally safe solution, creating good financial intermediation and introducing full cost recovery will help achieve the purpose.

#### 5.2.5 LAND TRANSFER PROCEDURES:

AFH deviated from the land transfer procedures developed with USAID technical assistance for the pilot project. These procedures eliminated redundant approvals and introduced competition for quality. Currently land is sold to developers on the basis of regular bids that do not allow to know developers intentions and to check a priori their conformity with the specifications.

#### **RECOMMENDATION;**

AFH should reinstate the land transfer procedures developed for the pilot project and possibly improve upon them. Particularly, discrimination among prospective buyers should be based on the quality of the projects they envisage and not only on the prices they offer.

#### 5.2.6 CONSTRUCTION SURVEILLANCE:

Technical monitoring and surveillance of works continue to be very weak and the quality of the sites largely depends on contractors good will rather than on an efficient monitoring system insuring compliance with specifications. Further more once Tracts of land are sold to developers AFH does not exercise any control over the layouts and designs adopted by the developers in order to insure the urbanistic coherence of the site.

#### **RECOMMENDATION;**

- AFH should rely on private monitoring and surveillance companies to reinforce its own insufficient control capacity. The costs incurred by such controls should be considered as part of project costs and recovered from beneficiaries. These controls will insure good quality and could result in lower costs and shorter construction delays.

AFH should regularly follow up the sites sold to developers and insure that layouts and designs are coherent with the specifications and with the urbanistic Characteristics of the sites.

### 5.3 Problems met at GOT level:

#### 5.3.1 WORK RELATIONSHIPS;

Work relationships between private developers and the administration are strained due to unclear procedure, different interpretation of legislation and norms and standards, slow decision making and lack of aptitude. Of particular interest is the fact that administration officials are usually process oriented and have no experience in working with cost bearing money as do developers for which time is literally money.

#### RECOMMENDATION;

- GOT should accelerate current work on the adaptation of norms and standard and insure their understanding through detailed manual and adequate training.

- GOT should organize seminars with a view of improving staff attitudes towards private developers and improving their responsiveness to the requirements of an efficient private sector.

### 5.4 Problems met at the level of developers;

Tunisian developers have no experience with the design of core housing. Several imperfections have been met during site visits including inefficient layouts, wasted space, superfluous decorative walls that have to be torn down at great expense during home extension and wasteful and non judicious set backs. Similar problems have been met concerning site layouts.

#### RECOMMENDATION;

GOT, AFH, and BH should provide training seminars to private architects and developers on architectural design for expandable low income housing and site design for low income housing. They should also disseminate successful experiences by organizing visits to efficiently designed sites and core housing.

### 5.5 Problems met at the level of beneficiaries;

A few beneficiaries have already started extension of their core homes and some have already finished. The extension were done without professional help accordingly they were done at high cost and did not efficiently make use of the space

available. Very often extension were also done without respecting regulations.

**RECOMMENDATIONS;**

Developers should provide beneficiaries with pre-approved extension drawings. Alternative designs should be provided and action should be taken to insure adequate monitoring of extensions and enforcement of urban regulations. Private monitoring of extensions could be envisaged and offers a superior alternative to current municipal and administrative controls. Beneficiary education could also help as several beneficiaries ignored the existence of architects or thought that they were very costly.

**6. LESSONS LEARNED;**

**6.1 Design implications:**

The program proved that policy programs can be developed and successfully implemented in Tunisia. As shown by the results achieved so far these programs when well defined, well accepted and well tailored to the removal of prevailing constraints can yield much higher impacts than programs focusing on physical outputs.

Policy programs such as HG004C require greater and more advanced or sophisticated technical assistance as they introduce new concepts and new attitudes for which there is no previous experience and no adequate institutional culture. These programs also require more training assistance as they introduce procedures and techniques applicable country wide and by a larger number of institutions.

Finally these programs require skilled project officers for their design and implementation as they involve frequent contacts with a wide range of policy and decision makers who are usually more educated and more sophisticated than usual project implementation staff.

**6.2 Future activities:**

Five years after the signature of HG004C two major problems are highlighted and are sources of concern; The shortage of long term resources for low income housing and the shortage of developable land particularly in the vicinity of large urban centers.

The Resource problem could be addressed through technical assistance aimed at increasing resource mobilization and improving the yield of existing low mortgage loans without excessively reducing affordability.

The land supply problem should be the focus of RHUDO/NENA activities in Tunisia. Solutions to the land problem lay in an increased supply of trunk infrastructure. The issues to be addressed are numerous and include:

- The institutional setting,
- Resource mobilization for infrastructure investments,
- Cost recovery of infrastructure investment and affordability,
- Private sector participation in design, financing, and construction

Sewer infrastructure is the most prominent constraint and should receive a special attention. Alternative low cost sewer systems that are environmentally safe, phased infrastructure servicing and lower service levels are policy initiatives that should be pursued.