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THIRD QUARTERLY REPORT

On

CHF's Operational Program Grant for
Technical Assistance to the Moroccan Ministry
of Housing (OPG # 608-80-G-001)

October 20, 1983

This report was written by CHF Resident Advisors in Rabat, edited and produced in the Washington office, and distributed from there.

ABBREVIATIONS

AID - U.S. Agency for International Development
CHF - Cooperative Housing Foundation
CP(s) - Conditions Precedent
DRHAT - Regional Delegations of Ministry of Housing
HG - Housing Guaranty Loan
IA - Implementation Agreement (for HG Loan)
MHAT - Ministry of Housing Central Ministry, Rabat
OPG - Operational Program Grant
PACD - Project Action Completion Date
PMB - Small & Medium-Size Bidonville Upgrading Program
PS - Program Social
RA - Resident Advisor
RHUDO - AID Regional Housing Office
TA - Technical Assistance

Conversion Rate

\$1.00 U.S. = 7.00 Moroccan Dirhams

HIGHLIGHTS OF THE QUARTER

The most notable activities related to the OPG during the period covered by this report were:

- In cooperation with MHAT personnel, completion of a final draft of the CPs required for Investor Selection, which are included in the IA for HG-002.
- Formal announcement by the GOM of a 43% cut in MHAT's overall budget, as a result of government-wide austerity measures.
- A series of discussions relative to the forthcoming PACD for the OPG among AID Mission and RHUDO officials and CHF, during a visit to Rabat by CHF President, Charles F. Dean.
- Receipt by CHF of AID's evaluation of activities funded under the OPG.
- Groundbreaking in Tetouan for the construction of the first 400 new core housing units which will serve as a relocation resource for families to be displaced through the Dersa upgrading project.

The foregoing are described in greater detail in the body of this report, along with other activities that transpired during the Quarter. Discussion of "problems encountered" is integrated in the report of the activities.

SMALL AND MEDIUM-SIZE BIDONVILLE UPGRADING PROGRAM

Action on Conditions Precedent

A final draft of the CPs required for "Investor Selection" for HG-002 was completed prior to the end of the Quarter. This was accomplished despite the lesser capacity of MHAT's bidonville team during the regular August-September vacation period and the curtailed summer work scheduled (which ended on September 20). This "First Group" of CPs is now under review by top MHAT officials prior to formal transmittal to RHUDO/Tunis, which should occur shortly. RHUDO officer, Harry Birnholz, was unofficially given a nearly-completed copy of the transmittal during a field visit that he made September 19-25.

Preparation of the CPs was a highly cooperative effort among MHAT Housing Director Benhaddou, his bidonville and clandestine housing units working jointly, other staff members within the Housing Directorate, RHUDO officers Birnholz and Hamam (the latter participating during a field trip made with Mr. Birnholz, August 4-11), the PADCO Policy Advisor to MHAT, and the CHF Resident Advisors. As was noted in the last Quarterly Report, responsibility for preparing the CPs had been delegated to team members by the Housing Director, who personally coordinated the respective efforts and worked directly with the CP "writers" during numerous work sessions. Exchanges of ideas and concepts at these sessions were constructive and productive, serving to thrash out existing Ministry

policies and procedures in relation to the AID mandates contained in the IA.

The CHF RAs focused on the refinement of the several elements of the Project Delivery Plan (PDP) while providing certain technical assistance relative to the other CPs; in particular, those dealing with site selection, beneficiary selection, lot sales, project area maintenance, and relocation. The main issues that surfaced while completing the PDP for the PMB component included:

- The surpassing of the budget (noted in the last report) which was resolved with the Housing Director's decision to designate a third proposed project ("L'omas" in Nador) as an alternate site pending development of firmer cost estimates for all proposed PMB projects; the Director also decided to invoke the IA provision permitting transfer of up to 20% (\$800,000) of the funds earmarked for the technical support program budget line item to the PMB line item.

- The uncertainty regarding the impact of beneficiary payments for serviced sites upon the project cash flows, i.e. it was not known whether such payments, in the form of down payments or monthly loan payments, should be deducted from MHAT's financing requirements in the cash flow projections. It was decided with RHUDO concurrence that such revenues need not be reflected in the projections. The rationale for this decision is that the present system in use by the Ministry of Finance provides for allocation of this type of revenue into the GOM's general receipts; thus, revenues presented cannot be credited directly to repayment of the HG loan regardless of whether they are reflected in the cash flow projection. This is an aspect of the financial plan that must be resolved internally by the Ministry of Finance.

There was also discussion of eventually arranging to have this revenue credited to a proposed special account that would fund projects to be developed by a new agency which is under consideration; the function of the proposed agency would be to spearhead upgrading activities in both bidonvilles and clandestine housing areas across the country.

Early in September, the RAs were asked by the Housing Director to assume responsibility for completion of the portion of the PDP encompassing the PS component of the HG budget. The basis for the request was the availability of CHF's micro-computer and the perception that completion of this element of the CP might be expedited by virtue of that availability. Accordingly, with the tacit sanction of Mission Office of Technical Projects Manager Bricker and RHUDO Officer Birnholz, available data on the PS were collected, organized, programmed and integrated into the PDP. These tasks, not a CHF responsibility under the OPG, resulted in the completion of the full PDP before the end of the Quarter.

HG-002 Funded Technical Support

Completion of the PDP also required the development of basic data on the components of the technical support program to be funded under

HG-002. The data were needed to permit the preparation of an estimated disbursement schedule for the full \$17 million amount of the HG loan. Development of the data was complicated because the CP requiring Terms of Reference and a Budget for the technical support program is part of the "second group" of CPs, i.e. those to be met only prior to the "First Disbursement" (as explained in the last Report).

Mr. Benhaddou, having assumed his directorship only a few months before, had hoped to postpone designing this program until MHAT's technical support requirements are better defined. The problem of providing the necessary data to include in the PDP was solved with advice from RHUDO officer Birnholz, who suggested developing only broad categories of technical support sub-projects for budget purposes. This approach expedited satisfaction of the CP covering this element of the PSDP.

Discussions of the scope and purpose of the technical support program brought into question the proportion of the HG loan that had been allocated for technical support. Negotiations toward the IA had taken place prior to Mr. Benhaddou's effectively taking office. The IA executed by AID and MHAT includes \$4 million for the technical support program, or 23.5% of the total \$17 million HG loan. Even after re-allocating \$800,000, or 20% of the technical support program budget for PMB upgrading projects, 18.8% of the total HG loan must be borrowed for "technical support".

It was recognized during the discussions that the \$4 million amount for technical support had been fixed several years ago. At that time, HG-002 was being proposed as a more comprehensive loan, expected to total \$65 million. However, when the amount of the HG-002 loan was reduced to \$17 million, the \$4 million earmarked for technical support was not adjusted proportionately. Some MHAT officials questioned the rationale for borrowing \$4 million to fund technical support: 1) in the face of the severe need to upgrade bidonville areas and to build new core housing; and 2) in the context of the GOM's unfavorable national balance of payments problem. RHUDO Officer Birnholz assured MHAT officials that the amount of the technical support program budget could probably be renegotiated if, for instance, the Ministry prefers to increase the amounts to be spent on the PMB or PS programs.

Relation to 43% Cut in MHAT Budget

On the other hand, it was formally announced during the report period that MHAT's total budget for the current year had been cut by 43 percent. This was a result of GOM-wide austerity measures adopted to curtail the national debt. This massive reduction in MHAT's resources obviously is having repercussions in all of the Ministry's programs. Projections for housing development activities planned last year-- with some of these activities approaching the point of construction--have been sharply reduced. Plans for many expected personnel increases at the central Ministry offices and in the Delegations have been largely set aside.

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Thus, the availability of the technical support program loan funds in HG-002 are being eyed as a possible resource to be tapped to help fill the gap in available funds created by the national austerity measures. It can only be speculated whether the Ministry of Finance will permit the use of borrowed funds for such a purpose.

It should be noted that the budget slash also diverted MHAT's top officials from giving full attention to advancing activities related to the HG. Recasting of program and current project plans throughout the 26 Delegations had to be coordinated by top MHAT officials. These activities resulted in long periods when personnel throughout MHAT were simply unavailable to address policy or program issues related to the completion of the CPs. Meetings for this purpose were being held throughout the report period and continuing as the next Quarter began.

MHAT Personnel Actions Affecting the PMB

It was noted in the last Report that the personnel of MHAT's Bidonville and Clandestine Housing Units are now quartered together in the Ministry's central headquarters building. Housing Director Benhaddou, under whose direction these units function, foresees the evolution of the two units into a single team that will deal with all programs intended to improve substandard housing. Presently, the Bidonville Unit, with two full-time staff members, holds responsibility for the PMB component of the HG loan; the Clandestine Housing Unit, with four full-time staff members, is focussing principally on a proposal for a \$50-60 million loan from the World Bank for the upgrading of clandestine housing communities across the country.

The Clandestine Housing Unit assisted the Bidonville Unit in the preparation of the CPs until they were substantially completed early in August, when they returned to work on the World Bank proposal.

The newest Bidonville Unit staff member is Mr. Ali Guedira, an architect, who joined the MHAT at the beginning of the Quarter. He handled most of the coordination for the Housing Directorate in producing the CP package.

"Second Group" of CPs Now Under Preparation

With the completion of the CPs required for Investor Selection, the Bidonville Unit and the RAs turned immediately to the preparation of the "Second Group" of CPs--those required prior to First Disbursement. RHUDO Officer Birnholz told MHAT during his September 19-25 field visit that he would try to arrange deferment of some CPs within the Second Group. He also advised MHAT that the Investor Selection step would not be permitted unless the RHUDO is satisfied that the GOM is substantially prepared to seek the First Disbursement.

Preparation of the Second Group should entail a number of site visits by the RAs (1) to obtain updated cost estimates; (2) to help organize local coordination of upgrading activities; and (3) to begin training Delegation staffs in the planning and implementation of HG activities. The RAs will also perform a major role in developing management plans at both the central offices of MHAT and at the

Delegation level. It was apparent at the end of the Quarter that these tasks could not be completed prior to the PACD for the OPC (see discussion under "CHF ACTIVITIES" later in this report).

CHF ACTIVITIES

Possible Grant-Funded Technical Assistance

In mid-September the RAs learned through PMB team members that Mission officials had proposed a sizeable AID grant package for the forthcoming TA to the Housing Directorate. According to the PMB staff, a sum of approximately \$1.6 million could be made available to fund technical assistance mainly for financial management and related training over a two year period. The TA would be provided both to MHAT headquarters staff and to various Delegations. Some of MHAT's personnel were perplexed by the proposal, they said, because they had understood that TA to be provided after the departure of the current RAs, including the PADCO Policy Advisor, would have to be funded through the Ministry's own resources. (The PADCO RA's assignment ended on 30 September; the two CHF RAs' assignments are scheduled to end on 31 December.) Adding to the perplexity was the coincidence of the AID proposal with the departure for vacation of the Housing Director.

The CHF RAs relayed the reaction of MHAT officials to Mission and RHUDO officers. The RAs happened to be present at a meeting later of Mission Director Robert Chase and OPT Manager Bricker, with one of MHAT Minister Lahlou's chief aides, Mr. Ben Siti. Other than this chance presence, CHF personnel were not parties to AID's discussions with MHAT of its TA requirements and grant-funding proposals, nor to any AID in-house discussions of these factors. While this lack of involvement is perhaps understandable, it placed the RAs in an awkward position when MHAT officials looked to them for guidance in responding to AID's proposal of a grant for eventual TA.

In the midst of these discussions, the RAs were asked to meet with AID Consultant Martita Marks who was in Rabat from Tunis, it was learned, to assist in preparing a Project Paper covering a proposed TA program for MHAT. The RAs were asked for their views on the Housing Directorate's and the DRHAT's TA needs. She was told that, in the view of the CHF RAs, the overriding need is for TA in project management and its many functions, at both the central Ministry and DRHAT levels. This was stated as the principal need specifically in the context of MHAT's activities in relation to AID's HG Program; project management, competencies in relation to MHAT's ongoing programs are seen as quite satisfactory. However, it was pointed out to Ms. Marks that the HG Program embodies policies, procedures, and requirements that are new to MHAT; it is believed that MHAT's staff and HG loan beneficiaries could gain considerably from the availability of resident technical advisors experienced in implementing the goals and objectives of the HG Program.

CHF President Dean Visits Rabat, Proposes Continued TA Re: HG

From September 21 to 24, CHF President Chuck Dean was in Rabat to review CHF activities and to meet with AID officials to discuss a continuation of TA in conjunction with HG-002. Mr. Dean's visit coincided with a field trip to Morocco by RHUDO Officer Birnholz; this



permitted a joint review of the status of activities under the current OPG and discussions of possible future TA among Mission, RHUDO and CHF representatives.

The essence of the discussions is summarized in a memorandum, dated 29 September 1983, to Mission Director Robert Chase. CHF's earlier proposals for alternate methods of funding a continuation of its TA to MHAT were reviewed. Mr. Chase told Mr. Dean that for several months the Mission has been seeking an official statement from MHAT of its perception of its technical assistance and support needs; such statement has not been forthcoming. Therefore, the Mission Director said AID is not at this time inclined to consider an extension of the TA that it has been providing to the Ministry during the last two to three years.

Mr. Dean pointed out that an abrupt break in the continuity of TA could have serious adverse effects on the HG Program which is just now approaching the implementation stage. He suggested that, if the Mission is unwilling to fund a continuation of TA by CHF, perhaps the RHUDO could do so through CHF's worldwide IQC. This possibility was being pursued by Mr. Birnholz at the end of the Quarter.

It was stated at the meetings with AID officials that the CHF RAs see no possibility that MHAT will complete the "Second Group" of CPs before the PACD of December 31, 1983.

OPG Evaluation Report by AID Given to CHF

On July 6, the CHF RAs were given a copy of the final report of AID's evaluation of the OPG, which was conducted during the first quarter of 1983. As noted in the last Quarterly Report, the RAs were shown a copy of the draft during June.

CHF made no formal response to the evaluation. A comment on its recommendations regarding TA needs for the proposed Dersa project was included in a report by RA Dumouchel, dated August 3. Orally, the Mission received the views of RA Dumouchel, who serves as CHF-Morocco Team Leader, concerning the Report's observations about the absence of MHAT counterparts. He said he disagrees with the apparent acceptance by the evaluators of MHAT's explanation that the RAs are seen as "members of a team" and that direct counterparts are not necessary. The CHF Team Leader said that he believes having direct counterparts is essential to providing intensive one-on-one training by RAs, as well as important in terms of providing for the continuity of experience imparted to MHAT personnel upon the departure of the RAs.

DERSA UPGRADING PROGRAM

Active TA by CHF to the DRHAT-Tetouan ended during the previous Quarter. The following information is provided to keep AID abreast of activities in conjunction with the Dersa Upgrading Program because it is fully expected that MHAT will seek funding through an HG Loan. It was learned through DRHAT-Tetouan personnel that:

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- An official groundbreaking was held early in September for the 400 core housing units at the Tabula site. MHAT Minister Lahlou and top Ministry officials participated in the event.

- A new Governor, Mr. Oudiri, was appointed for the Tetouan Province. He is said to be "strongly enthusiastic" towards the Dersa upgrading activity.

- MHAT has provided some 25 million DH to finance start up of the installation of a sewer system in the Dersa project area.

- The Municipality of Tetouan is currently negotiating a 60 million DH loan with the "FEC", to finance the city's share of Dersa project costs.