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**USAID's
Housing and Urban Programs in Tunisia
1966-1997**

August 1997

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List of Acronyms and Abbreviations

AFH	Agence Fonciere d'Habitation (Housing Land Agency)
ANPE	Agence Nationale pour la Protection de l'Environnement (National Environmental Protection Agency)
ARRU	Agency pour la Rehabilitation et la Renovation Urbaine (Urban Rehabilitation and Renewal Agency)
BOT	Build, Operate, Transfer
CIMEP	Community Involvement in Management of Environmental Pollution
CNEL	Caisse Nationale d'Epargne-Logement (National Housing and Savings Fund)
CNPRCRM	Centre National de Perfectionnement et de Recyclage des Cadres Regionaux et Municipaux (Local Government Training Center)
CPSCL	Caisse des Prets et de Soutien aux Collectivites Locales (Local Government Loan and Support Fund)
GESCOME	Gestion Communautaire de l'Environnement (Community Environmental Management Project)
GTZ	German Foreign Assistance Program
HG	Housing Guaranty
LGSP	Local Government Support Program
MDFP	Municipal Development and Finance Program
NGO	Non-Governmental Organization
ONAS	Office National de l'Assainissement (National Sewerage Authority)
PPES	Private Participation in Environmental Services Program
RHUDO	Regional Housing and Urban Development Office
SNIT	Societe Nationale Immobiliere Tunisienne (Tunisian Housing Corporation)
USAID	United States Agency for International Development

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1 Introduction and Summary of Achievements

This report describes the remarkable partnership that existed for more than thirty years between the United States and Tunisia in housing and urban development. Beginning in 1966, only ten years after Tunisia gained independence from France, until July 31, 1997, the date the Regional Housing and Urban Development Office (RHUDO) closed, the United States Agency for International Development (USAID) has been a participant and partner with Tunisia as it successfully came to grips with some of its most important and pressing development tasks. This is the story of what can be accomplished when two partners work together over a continuous and lengthy period of time.

During this period, joint Tunisian-American programs contributed to many outstanding achievements:

- Tunisia made remarkable progress in meeting the housing needs of its population. Tunisia demonstrated that a developing country *can* solve its housing problems. USAID played a major role in this success. Its programs provided more than \$165 million over a thirty year period. More than one million Tunisians benefited directly from these programs.
- Tunisians are dramatically better housed today than before. The percentage of shanty housing dropped from over 25 percent to less than 3 percent in twenty years.
- The Tunisian private sector now provides virtually all houses, some 55,000 annually over the last ten years, also a dramatic change that USAID worked hard to achieve.
- Low income households in urban areas have significantly better living conditions than they did twenty years ago, thanks to upgrading efforts pioneered by USAID in Mellassine. Water, electricity, and sewer services are now widespread. Garbage collection is improving, thanks to USAID programs to encourage the participation of the private sector.
- Local authorities are stronger. They participate more effectively in development efforts, thanks in part to USAID programs.

Tunisia has not solved all its housing problems, but it has solved many of them and reduced the problems that remain to a manageable level. It has not solved all its urban environmental problems, but it has made excellent progress. Dialogue and respect have been key ingredients throughout the relationship. The partners have not always agreed. On such issues as subsidies, decentralization, and community participation and NGOs, there were differing positions. Tunisia was more cautious than USAID might

have wished at times. Perhaps more might have been accomplished. In the end, it is undeniable that much was accomplished. Tunisia's history shows that a developing country's housing problems are solvable.

What comes across overwhelmingly in this review is that Tunisia has applied itself seriously to its urban problems and has searched for and found solutions. When these solutions needed to be improved, they were. Tunisia worked methodically, refusing to be hurried by fashion, but rather taking from others what it deemed to be suitable for itself. In doing this, Tunisia remained true to its age-old traditions.

One of the characteristics of the Tunisian - American relationship has been the use of policy studies, pilot projects, and innovative investments that allowed the government to understand better what was being proposed by its partner. This approach also permitted both sides to evaluate and accept or discard elements of each of the activities for future programs. Tunisia wanted to be shown that new ideas could work in the Tunisian context. USAID was willing to do this.

Overall, caution and reliance upon the public sector may have delayed Tunisia's progress in the housing and urban development sector. Yet, to be fair, the progress that has been made is the envy of most other countries and the caution displayed was, many times, simply being sensible and prudent.

Tunisia has had a strong public sector for many years. Following independence there was little in the way of a private sector and the prevailing political thought of the 1950s and 1960s was strongly in favor of public sector programs. The Destourian party (at that time Tunisia's ruling and sole political party) believed that in order to build solidarity and to develop economically, the public sector had to be strengthened. Over the years, Tunisians' entrepreneurial abilities grew and as the private sector became stronger and the advantages of public-private partnerships became more evident, the government began to disengage from many tasks that the public sector had once performed. This evolution is also advancing in the housing and urban development area.

The set of long-term relationships between USAID, the World Bank, and the government is perhaps unique in the development world. It was productive and was used to great advantage by each of the parties, not least the government.

USAID was present throughout this period of substantial change and development. It contributed significantly to the success in the housing and urban development sector. The reasons for this will be examined. The programs will be described. The problems will also be described. The essence of the partnership will be distilled. It is hoped that at the conclusion of this report, the reader will have a better understanding of the development process that took place and the elements that contributed to it.

2 The USAID - Tunisia Program

USAID's housing and urban development program in Tunisia encompassed nine separate projects from 1966 to 1997. It totaled \$155 million in loans, financed under USAID's Housing Guaranty (HG) program and over \$10 million in grant funds. The Housing Guaranty program is a program in which the United States provides a full faith and credit guaranty to U.S. private investors making loans directly to the country concerned for shelter and other urban programs agreed to with USAID. The Tunisia program was roughly sixty percent housing related and forty percent urban environmental services. Altogether, more than one million people benefited from these programs. A table of all Housing Guaranty programs is set forth below.

USAID Housing Guaranty Programs

1966-1997

Program	Name	Amount (US\$ Millions)	Year Approved
1	Cite Carnoy	5	1966
2	Ibn Khaldoun	10	1972
3	Mellassine, Core Housing, and Ibn Khaldoun	20	1977
4	Flood Relief	2	1984
5	Thirty Towns	24	1984
6	Sites and Services	24	1984
7	Housing Bank and Private Sector Housing	15	1988
8	Municipal Finance and Development	15	1993
9	Private Participation in Environmental Services	40	1993
Total		155	

The direction and content of the Tunisia program was influenced by USAID's changing worldwide priorities. Thus, in the 1960s, USAID promoted American builder projects. In the 1970s, the focus turned to the basic shelter needs of low income households. In the 1980s, emphasis was on the private sector, and finally, in the 1990s, attention has turned more directly to the environment and decentralization.

3 Reflections on USAID Contributions

The RHUDO worked for a number of years and in different ways pursuing several important themes. There were usually no quick solutions. When there was disagreement or when solutions seemed difficult to find, the RHUDO was able to put it aside and come back to it at a later time. Two of the most fundamental continuing themes were how to encourage the production of more housing on a scale that would solve the housing

shortage, and how to make this housing affordable to the urban poor. These led to a number of initiatives that stressed lower design standards, new and different approaches to the provision of shelter that included core housing, upgrading of existing housing, advocacy of a primary role for the private sector, and efforts to put in place an effective housing finance system. A third continuing theme, from the mid-1970s on, was the effort to make urbanization a positive process. This led to joint initiatives involving local authorities and improvements to the urban environment.

3.1 How Tunisians are Housed

3.1.1 Shelter and Urban Conditions

Between the mid-1960s and the mid-1990s there was an enormous change in the way Tunisians housed themselves. This reflects the general increase in the standard of living of the country as well as changes in government policies. USAID participated in this evolution and helped its partner think through and then carry out many of the changes.

Urbanization has been a consistently powerful influence on Tunisian life over the past thirty years. Since independence, Tunisia's population has more than doubled, from nearly 3.8 million people in 1956 to a little more than 9 million people today. Roughly 63 percent now live in urban areas. Furthermore, urban areas are growing at a rate nearly double that of rural areas (3.7% v. 2.2% per annum since 1984). More than 80 percent of Tunisia's gross national product comes from the urban metropolitan areas of Tunis, Sfax, Sousse, and Bizerte. These coastal centers contain the vast majority of Tunisia's industry, services, and tourism activity. Rapid urban growth has created an enormous demand for infrastructure and housing

For a more personal account of changes in urbanizing Tunisia, see Box 1, the account of a Peace Corps Volunteer who returned to Tunisia after an absence of thirty years, thirty years that coincide with the time that USAID was present in Tunisia.

The changes in the housing situation have been dramatic. According to Tunisian Census figures for 1994, the total number of housing units grew between 1975 and 1984 at 2.8% per annum, and then jumped to 3.6% annually between 1985 and 1994. This meant the construction of more than 55,000 housing units per year during that second period. At the same time, households were growing during these two periods at 2.8% and 2.5% per annum respectively. While the number of households was slowing the rate of housing being constructed was accelerating, permitting Tunisia to virtually eliminate its housing backlog over a period of twenty years.

Most of this construction was accomplished by individual household effort and by the private sector. Remarkably, between 1975 and 1994, public sector share of housing construction dropped from 61.5% to only 6.6%.

There are a number of other indicators that support the conclusion that not only have the numbers improved but the quality of housing well-being has also improved. For example, the percentage of shanty-type dwellings fell from about 25% in 1975 to only 2.7% in 1994. Overcrowding was also dramatically reduced during the same time period. In 1975 one household in two lived in a one room dwelling (excluding kitchen and bathroom, where existing), while in 1994 the same applied to only one household in five. Finally, water, electricity, and wastewater plumbing connections grew rapidly as well. In 1994, nearly 70% of all urban dwellers had piped water hookups versus just 30% in 1975; similar figures for electricity were 86% and 38%; and connections to the sewerage network increased from 15% to nearly 60% during this same period. These figures represent a real success story for Tunisia.

3.1.2 Debut of the Partnership

The Tunisian answer to the question of how to provide housing or encourage the production of suitable and affordable housing has mirrored the evolution of the country's economic and institutional policies since independence. After independence, Tunisia confronted a serious housing supply situation, worsened by high population growth and rural to urban migration.

During the 1960s, through the 70s, into the 80s, and still today, Tunisia's public sector was called upon to provide solutions to many of the country's problems. As with other sectors of the economy, government corporations, such as SNIT, and banks, such as STB (Societe Tunisienne de Banque), along with government ministries themselves were heavily involved in the financing and production of low cost housing. Centralized and subsidized, the public sector responded to this challenge as best it could. Over the years, the public sector did produce significant numbers of what was called social housing. However, because this housing was highly subsidized it could not be produced in sufficient quantities to satisfy the accelerating demand caused by a growing economy and the movement to the cities. There were not enough public resources to do this. Shanty towns, called gourbis, proliferated on the outskirts of all major towns.

The government's response to this quickening urban growth was two-fold. It tried to demolish the gourbis and replace them with public housing where possible. To increase production, it turned to SNIT.

USAID's first involvement in Tunisian housing, carried out by SNIT and STB in Cite Carnoy, a suburb of Tunis, became a part of this effort to increase housing production. 693 houses were constructed in the suburbs of Tunis, beginning in 1966, with financing from a \$5 million Housing Guaranty (HG) loan. This was a private sector venture of the "American builder" type, in which a private American company, operating with a USAID guaranty but only limited direct USAID involvement, would build houses to demonstrate American technology and methods. These modest houses proved to be highly successful and over the years were expanded by their owners. However, the

project was not replicated by the Tunisian private sector for many years, nor by SNIT, which continued with its more traditional apartment buildings approach.

The next project, again carried out by SNIT, in a new area of Tunis called Ibn Khaldoun, took place in 1972. It was the first in which USAID and the government directly collaborated on design and implementation, and represented USAID's first efforts to modify existing Tunisian policies. Funded with a \$10 million HG loan, it sought to further strengthen SNIT and make it a more effective provider of public housing. USAID's interest was to encourage lower design standards that would make housing more affordable to the urban poor. As such, it was a clear step away from Carnoy standards and toward lower income beneficiaries. The project encountered numerous difficulties and cost overruns and pointed up the need to have a more permanent liaison between Tunisia and USAID in this sector. Nevertheless, with an architectural style based upon the traditional Medina, Ibn Khaldoun is still an asset today in modern Tunisia and the houses are still in demand.

As part of the preparation for Ibn Khaldoun a number of studies were undertaken. One of these recommended the establishment of a long term housing finance facility that would serve the needs of lower income households and, in 1974, the Caisse Nationale d'Epargne-Logement (National Housing and Savings Fund -CNEL) was established. 1974 also saw the establishment of AFH, the Agence Fonciere d'Habitation (Housing Land Agency), and ONAS, the Office National de l'Assainissement (National Sewerage Authority). As a result, the role of SNIT changed to focus entirely on building houses. By the mid-1970s, Tunisia had a full set of public sector housing institutions.

However, it was also becoming clear that the public sector was not going to solve the housing problem by itself. Demolition of housing was a considerable loss of assets. Around the world, different approaches were being tried. These included sites & services, upgrading of existing shantytowns, and core housing. In 1977, Tunisia, with USAID encouragement, agreed to try some of the new approaches to housing on a pilot basis. In doing so, they began to set the pattern for what would happen during the next twenty years. The partners would try out approaches on a pilot basis, work out the details and the problems, and then the government, when it was satisfied with the results, would move on to full scale implementation on its own.

In 1977, partly as a result of the Ibn Khaldoun experience but more with the thought that a full time presence was needed in Tunisia and the region to address an increasing workload, USAID opened a Regional Housing and Urban Development Office (RHUDO) in Tunis, where it was to remain for twenty years.

RHUDO's third project, in 1977, marked the beginning of Tunisia's efforts to diversify its approach to shelter. It was also USAID's first direct involvement with local government. This was a \$20 million project, financed by a HG loan, with three components. The first was to continue and complete the work in Ibn Khaldoun. The

second component was a program of small core houses financed by CNEL (Caisse Nationale d'Épargne-Logement - the National Housing and Savings Fund) and constructed by SNIT. This component marked a further step along the road to smaller and more affordable housing. The third was the most innovative, involving the comprehensive upgrading of a slum area called Mellassine in Tunis. This program marked the acceptance by the government of the concept of upgrading, or gradual improvement of infrastructure and housing in existing areas instead of demolition and urban renewal, and led directly to an extensive country wide program. It signaled the end of the government's systematic efforts to solve some of its housing problems through demolition. In 1981 Tunisia established a new government agency, ARRU (Agence pour la Rehabilitation et Renovation Urbaine - the National Rehabilitation and Renovation Agency) to coordinate and carry out upgrading activities, a direct result of the successful Mellassine experience.

3.1.3 Continuing the Partnership in Housing

In the early 80s there was a lull in the financing of new programs due to the high cost of borrowing in the United States financial markets. RHUDO and the government continued to work together on policy matters and to complete existing projects and design new programs. When extensive floods hit Tunisia, the United States was able to respond quickly to the rebuilding efforts. This was, however, largely a period when the RHUDO worked hard to translate its ideas into reality. For example, a large new Housing Guaranty program that institutionalized the policy of upgrading was designed and approved by both parties. When high interest rates prevented this program from going ahead with HG financing, the World Bank was able to step in and finance parts of it. USAID stayed involved with it through training programs for ARRU, the implementing agency, and with technical assistance to the government. Another example of cooperation during this period concerned RHUDO assistance to the municipality of Kerouan to improve its local property tax collection systems.

It was not until 1984, however, that the next new Housing Guaranty projects were initiated. There were two separate efforts. The first (USAID's fourth project), a HG loan for \$24 million, the Thirty Towns Project, supported the government's program to improve sanitary conditions in low income neighborhoods. It marked USAID's first activities with ONAS (Office National d'Assainissement - the National Sewerage Authority) and was a targeted initiative in support of Tunisian upgrading programs. It was also USAID's first direct co-financing experience with the World Bank in Tunisia. The second (USAID's fifth project), also a HG loan for \$24 million in 1985, marked an effort by both the government and USAID to begin to have the private sector more involved in housing production. The program consisted of land development and serviced sites, and was undertaken with AFH (Agence Fonciere d'Habitation - the Housing Land Development Agency) and CNEL. This program encouraged greater involvement of the private sector in housing production.

Increasing the role of the private sector was an idea whose time had come in Tunisia, as in other parts of the world. During the 1980s, this was one of USAID's major goals, not only because it was strongly endorsed in Washington, under the Reagan administration, but also because USAID had found, particularly in the housing area, this an effective way to get results. Involving the community and the private sector alongside the public sector had proved successful in other countries in making housing affordable for poorer households. This seemed to be a promising avenue to increase housing production for lower income households.

In 1986, Tunisia went through a structural adjustment process and with it came a shift toward a more private sector oriented economy. This was quickly felt in the housing area. Tunisia's new housing policy came out with the Seventh Plan in 1988 and USAID's next project, (USAID's sixth), a \$15 million Housing Guaranty loan, in 1989, supported the transformation of CNEL into a housing bank and its eventual privatization. USAID had been heavily involved with housing finance issues even before CNEL's creation in 1974 and had worked closely with it (See Box 3) and with the government subsequent to its establishment.

This program also marked a substantial re-orientation in housing production toward the private sector. Its objectives included: encouraging private developers to produce affordable housing sites and core housing units for low income households; making loans available from the new Housing Bank to municipalities for land acquisition and infrastructure; and seeking a basic change in AFH policies to emphasize the construction of off-site infrastructure that would then allow for wholesale transfer of land to the private sector for further subdivision and development.

Historically, after independence, there had been large publicly owned tracts of land that were either owned by SNIT or made available to it by the government at subsidized prices. These large tracts were easily developed into housing, generally apartment buildings, by SNIT. In 1974, AFH was created, partially to take over this role but more with the intention to begin a land banking operation. As public land dwindled, the government was obliged to begin to assemble land and service it by first purchasing it from private owners. AFH not only assembled land and serviced it but also subsidized it for sale to individual purchasers. This process was lengthy and expensive.

The 1989 project supported CNEL's successful transformation into a bank, and marked a sea-change in housing production, encouraging the participation of the private sector in lower cost housing production. It was less successful in achieving its other objectives. AFH continues to be a developer of serviced sub-divisions rather than a wholesaler of blocks of serviced land, although a successful pilot project at El Mourouj IV was carried out by a private developer with land sold to it by AFH and in many ways has become a model for this kind of effort. Of less importance, the Housing Bank did not begin to lend to municipalities, but this role was assumed by the CPSCL (Caisse des Prets et de Soutien aux Collectivites Locales - the Local Government Loan and Support Fund) with assistance from USAID and the World Bank in the 1990s. The project did mark the

successful beginning of the government's efforts to turn away from the largely public sector type activities that had marked its approach, until then. It was also USAID's last major guaranty loan to the government specifically for housing activities.

3.1.4 The Shelter Situation Today

Generally, the Tunisian housing situation today has vastly improved since 1966. Tunisians are better housed and infrastructure services are widely available. Shanty towns have virtually disappeared. Housing production by the private sector is the rule rather than the exception. There has been a clear improvement in the quality of life for Tunisian urban households. In addition, the development of the sector has increased employment (2 to 3% of the working population is employed in this sector), helped to develop the building materials industry, and mobilized family savings. Tunisia has every right to be proud of its achievements.

However, problems do remain. Available publicly owned land, suitable for housing development, around the larger cities has become almost non-existent. The cost of private land has gone up and this has made conventional home ownership in housing produced by the formal private sector for low income households largely unaffordable. The housing finance system consists of the Housing Bank and other private banks that make loans, but there is no secondary market. Loans for low cost housing depend upon the availability of government subsidies. Much of the construction for low cost housing that is taking place is through unplanned efforts by families who hire small private builders. This has resulted in very densely built-up areas on the outskirts of many cities without sufficient sanitation services and roads. The role of the municipalities in planning and controlling these development is still relatively minimal. While the government has reduced its production of social housing, formal private developers have not stepped in to provide affordable housing to this part of the population. A lack of financing and expensive land have combined to make the situation untenable for poorer households. The only housing that is available for them comes as a result of the unplanned and partially serviced areas mentioned above.

Recognizing this situation, the government continues to devote substantial resources to upgrading sanitation and other services in these communities. Based on past performance, it is certain that the government, in partnership with the private sector, will continue to address and solve these problems.

3.2 Decentralization and Municipalities

In the 1990s, USAID's collaboration with Tunisia began to place more emphasis on working with local governments as key players in solving housing, urban development, and environmental problems.

USAID, during twenty-five years of concentrating on shelter in its worldwide programs, had become more and more involved in urban environmental services, such as

water, wastewater, and solid waste. Shelter remains a focus for USAID, but it recognizes that improving basic urban services is often the most efficient way to improve the living conditions of poor neighborhoods and would ultimately lead to improved shelter. Shelter is part of a larger picture. Integral to this approach in many countries is the need to strengthen the local authorities that are responsible for neighborhood services.

Tunisia was also coming to similar conclusions during the late 1980s. The Eighth National Development Plan (1992-1996) signaled the intention of the government to strengthen the local government system. The Eighth Plan also recognized that the precondition for success in addressing urban needs was the strengthening of local institutions, both financially and managerially. This led to the Municipal Development and Financing Program (MDFP), the next to last HG program, and the Local Government Support Program (LGSP).

MDFP was a \$15 million HG loan that supported the transformation of the financing mechanism for local government projects, the CPSCL (Caisse des Prets et de Soutien des Collectivites Locales - The Local Government Loan and Support Fund), into a more independent and stronger operation. It also supported policy reform in the provision of urban infrastructure and financing. Working with the World Bank, and with additional USAID grant funds of nearly \$3 million, this project supported the efforts of numerous local authorities, particularly for neighborhood upgrading, shelter activities, and environmental activities.

USAID had counseled a more important role for local authorities for some time. See Box 4 for a description of training carried out under LGSP and earlier efforts to strengthen local government.

Local government has a long history in Tunisia. Before the installation of the French Protectorate, it enjoyed considerable responsibility for local matters. In more modern times, since independence, Tunisia has been a unitary state, with ultimate authority in the central government. There are three levels of government: the central level with the Ministry of Interior having overall responsibility for local government, the regional level with governors of the twenty-three regions having direct responsibility for all matters within their regions, and the local level with elected local governments. The responsibilities at each level reflect the considerable power of the central government as well as the need to make judicious use of limited human resources.

The 257 Tunisian communes, or municipalities, that comprise the third level of government vary greatly in size and population. The largest, Tunis, has a population approaching 700,000, and a metropolitan area of well over one million, while the smallest has less than 1,000 people. Ninety percent of the 257 communes have less than 50,000 inhabitants. Half of them have less than 10,000 inhabitants. And, as one would expect, while defined by law, the actual responsibilities of the regional governor and the Ministry of Interior are also related to the competence and size of the various communes or

municipalities. Generally, the smaller local authorities and many of the larger local authorities are still in need of considerable assistance.

At the local level, many services, including electricity, gas, water, sewerage, telephones, land development, transport, education, health, and the construction and maintenance of principal roads, are the responsibility of entities that are independent of the municipality. In a small country such as Tunisia, this division makes considerable sense. It is also common that many of these services in other countries, including the United States, are provided by entities independent of the local authorities. However, the role of coordinating local development is still largely played by the governors of the area. Were municipalities to be stronger financially and administratively, they could, under current law, exercise considerably more responsibility than they do.

Decentralization is one of those subjects in the American -Tunisian dialogue that has provoked a great deal of discussion. The reasons for this lie perhaps in the differing histories and evolution of the two countries. With its own highly decentralized society, the United States' sentiments lie in that direction. Tunisia, on the other hand, is in size and population a small country, smaller than many of the individual states in the United States. Beset by problems from outside its borders and having had a generally satisfactory, and in some cases excellent, experience with strong central government, Tunisia is less keen about launching an experiment that it has not thoroughly examined. RHUDO accepted the Tunisian position and worked with it in carrying out the final two HG programs and accompanying grants.

Decentralization is coming about gradually. It is clear that real authority and power remains vested in the central government, although now exercised more and more by the governors. Although the municipality remains only one of many organizations at the local level, Tunisian local authorities are stronger, thanks in part to the assistance received under USAID programs.

3.3 The Urban Environment

Tunisia's rapid urban growth has increasingly threatened its environment. Cities that were designed for far smaller numbers of people have had to cope with enormous increases in population. The unhappy threat of streets overflowing with garbage and other waste has spurred Tunisian planners. Their response is part of a broader effort to ensure that Tunisia's total environment, already ecologically fragile because of scarcity of water and its location on the rim of the Sahara, remains healthy and safe. This is especially important because of the need to ensure that Tunisia's largest foreign exchange earner - tourism - is not harmed due to poorly managed urban areas.

Improved shelter, the basis for the American - Tunisian partnership since 1966, involves, of course, improved water and sanitation services. In that sense, USAID and Tunisia have been addressing environmental concerns for some time. However, this concern first became more explicit with the 1984 project with ONAS. Subsequently, the

final USAID project, which began in 1993, the Private Participation in Environmental Services made this concern the center of the partners' attentions.

USAID's interest in the environment also went hand in hand with its increased interest in decentralization and municipalities, and encouraging an expansion of the role of the private sector. This evolution from direct concern about housing to a wider concern with the urban environment was a natural broadening of focus that took place in many parts of the world.

Tunisia's response to its environmental concerns has been led by the Ministry of Environment, created in 1991. Two agencies are particularly important in this effort; ONAS, which has been in existence since 1974, and ANPE (Agence Nationale pour la Protection de l'Environnement - The National Environmental Protection Agency).

By the 1980s, high rates of urban population growth and the resulting proliferation of poorly serviced settlements had pushed service needs beyond the capacities of public sector institutions to fully satisfy within reasonable time periods. The agencies responsible for the delivery of urban environmental services, primarily ONAS and municipalities, had made substantial progress. However, coverage and service levels still remained relatively low, certainly lower than desired, particularly for controlled landfills and wastewater. The government and RHUDO saw a way to combine their mutual interests in addressing the serious urban environmental problems facing the country, while beginning an experiment to promote the private sector and increase the efficiency and effectiveness of municipalities.

The result was the Private Participation in Environmental Services Program (see Box 5). This project, a \$40 million HG loan and \$3.7 million grant program, addresses a number of USAID and Tunisian concerns. It successfully encouraged the expansion of the private sector in solid waste and wastewater activities, furthered decentralization policies, took up again the issues of private land development at the local level, and helped focus the government on the need to establish a finance system that would sustain these efforts. It also marked, along with the Municipal Finance and Development Project, a new style of collaboration, in which progress in policy transformation became the goal and the key to disbursements of funds.

The recent evaluation of that project concluded that there had been a remarkable evolution in Tunisia in the acceptance of the private sector in the provision of environmental services. While progress with regard to solid waste collection by municipalities was highlighted, ONAS also seemed to be well on its way to a substantial increase in its commitment to use the private sector and to partner with it in a new BOT sewerage treatment plant being planned for the greater Tunis area. PPES, the United States' and Tunisia's last urban project, was a worthy successor to their joint shelter efforts.

3.4 The Role of the Private Sector in Housing and the Environment

The role of the private sector in Tunisia has been heavily influenced by the political and developmental realities that have shaped Tunisia's history over the past four decades.

Immediately after independence, Tunisia nationalized a number of key economic sectors dominated by the French. Since there was little in the way of a Tunisian private sector, only the public sector could fill the vacuum created by the departure of the French and the need to meet development priorities. Politically and economically this also meant strong direction and control from the center.

During the 60s, the role of the Government continued to expand. Government corporations provided housing, infrastructure and urban environmental services. By the end of the 60s, however, new economic policies were beginning to come into play. There was an effort to promote exports and a move toward relaxation and very gradual reduction in government controls. Emphasis was placed on developing the agricultural and manufacturing sectors, part of whose production was exported, and on encouraging both domestic and foreign private investment. The financial sector and interest rates remained, however, completely under the control of the government.

The 1970s were characterized by rapid economic growth due chiefly to expansion in petroleum production and in the phosphate industry. Unfortunately, this industrial growth was accompanied by a downturn in agriculture that lasted until the end of the decade (and fueled rural to urban migration). Nevertheless, overall, Tunisia began to prosper.

As noted earlier, government corporations were formed or strengthened to satisfy the growing population's needs for water, electricity, sanitation services, housing finance, and housing production.

Starting in the 80s, Tunisia began to focus more on efficiency, effectiveness and the definition of a new role and mandate for the government. Some organizations had become cumbersome, and in some cases ineffective or costly. The government continued to exercise a pervasive influence in the economy. Economic difficulties in the 80s led to the 1986 Structural Adjustment Plan. This Plan promised a greater role for the private sector and a loosening of the controls that the government had exercised since independence.

During the 90s, the Government began to disengage from a number of its production activities and also passed a number of laws that reinforced the Structural Adjustment agreement. This period was also marked by the gradual widening of Tunisia's trading perspectives, highlighted by the signing of the GATT agreements and of a treaty with the European Union.

Throughout this period from 1966 on, USAID encouraged the government to make greater use of the private sector. In housing the results of this are clear. New housing is now almost entirely produced by the private sector. In environmental services, the private sector has greatly expanded its role. In both, RHUDO deserves considerable credit for its efforts.

Tunisia is justifiably proud of the achievements of many of its parastatals and government organizations. However, the era of the public sector is receding. Tunisia's private sector is increasingly able to handle many of the activities once undertaken by the government alone. USAID played a very active supporting role in helping to bring about these changes.

3.5 Community Participation and the Role of NGOs in Development

Associations have long been a part of the Arab and Muslim traditions of Tunisia, and many cultural, charitable or social associations were highly active up until the beginning of the 1960s, a date which marked a turning point for associations. At that time, the government introduced a new regulatory system and many local associations were absorbed by larger, national organizations. Regional and local sections of these new organizations were set up with the support and under the quasi-control of the government. Much of the diversity that had existed was lost.

After a certain amount of time, Tunisian decision-makers gradually realized that economic development would suffer if it only involved public and private enterprises and failed to include local community input. At the end of the 80s, following the adoption of the structural adjustment plan in 1986, government began to give more prominence to the role that associations could play in economic development.

Community associations became part of the American-Tunisian dialogue only in the 1990s. As with land issues and decentralization, Tunisia has been cautious in considering changes. American policy emphasized the development impact and insights that could be gained from the participation of independent local community organizations. Tunisian policy-makers were wary of this approach and were rightly concerned that many NGOs were quite weak. The dialogue around the issues has proved instructive for both sides and some of the approaches advocated in the USAID programs have been adopted. Continued decentralization and greater reliance on the private sector will ultimately accomplish the goal of involving the local community as an equal and independent partner in the development planning process.

A large number of the associations working today in the social welfare field depend almost completely on State subsidies, without which they could not function. Thus, many associations are seen primarily as extensions of the government. Because of Tunisia's history of centralized government control and the continuing political threats from outside the country's borders, this situation is expected to evolve slowly. As it does, independent NGOs will assume more prominence in the development efforts.

NGOs that concentrate on development issues are still at an early stage in their growth. They are the newest of all associations because development has, since independence, been handled largely by the government and its specialized agencies. These NGOs are often not well organized, lack financing, and in some cases, technical skills. However, it is expected that they will continue to grow and take an active part in development efforts.

The GESCOME project (See Box 6), undertaken as part of the Local Government Support Program and the Private Participation in Environmental Services Program, demonstrated the potentially vital role that community involvement and NGOs could play in improving the urban environment. This approach has been adapted by the government and will become a part of the next World Bank project. It therefore seems likely that in some form, the community participation approach will grow stronger in Tunisia in the years to come.

4 USAID and World Bank Collaboration

Major international support for Tunisia's housing and urban development efforts has come from the World Bank and USAID. This in itself is not unusual. These two organizations have been the largest donors in this field throughout the world during the last quarter of the twentieth century. What is unusual is that in Tunisia, over a long and continuous period of time, the amount of coordination and collaboration between the two donors has been extraordinarily high. The table on the next page sets forth how and when the two programs overlapped. In the 1970s both organizations were concerned with upgrading and sites & services. In the 1980s, both were concerned with land development, institutional strengthening, and the role of the private sector. And now, in the 1990s, the focus has turned toward local government, and the environment. Each organization has found Tunisia to be a valued partner. This, in turn, made it easier for each to consult and to harmonize goals.

USAID's Municipal Finance and Development Project (MFDP) and the Bank's First Municipal Development Project (PDM-1), both authorized in 1992, represented the high point of this cooperation. The Bank's PDM-1 consisted of a \$75 million capital investment loan and a \$5.8 million institutional support loan, and USAID's \$15 million MFDP were carried out during the same period of time and involved virtually the same goals and institutional participants.

PDM-I had three major objectives: (1) to improve the capacity of local authorities to identify, design, and manage their investment projects; (2) restructure and strengthen the CPSCL; and (3) improve infrastructure services at the local level. The two programs were therefore completely congruent, with the Bank providing the bulk of externally funded investment capital for municipal projects (\$75 million, compared with USAID's \$15 million), while USAID provided the bulk of grant resources for technical assistance, studies, and training. The government made virtually no use of the Bank's institutional

loan component, preferring to rely on the grant resources available from USAID and other donors such as German Technical Assistance (GTZ).

The advantages of this cooperation are very evident. Not only is there a sharing of the financial burden and a division of responsibilities that is facilitated by the continuous consultations that took place over a long period, but there was also the added advantage that both donors were there to discuss with the government the advantages of following certain policies and not others.

One of the more interesting questions is why this kind of cooperation is so rare among donors and host countries in the rest of the world. The answer would appear to rest upon the continuity and the personalities of the persons involved in the three-way relationship and the mutual perception that each party had something of value to offer the others. There were only four RHUDO Directors during its twenty years in Tunis and for a

USAID and World Bank Projects in Tunisia

1960s	1970s	1980s	1990s
USAID HG-001 Cite Carnoy \$5 million 1966 Low/Middle Income Housing	USAID HG-002 Ibn Khaldoun \$15 million 1972 Lower Income Housing with SNIT	World Bank Third Urban Project 1982 \$25 million Upgrading, Sites&Services, Support for Creation of ARRU	USAID HG-004D Municipal Finance \$15 million 1992 Support for CPSCCL and local authorities
	World Bank First Urban Project 1976 Urban Transport and Support for District of Tunis	USAID HG-004B Urban Development \$24 million 1985 Land Development with CNEL and AFH	World Bank First Municipal Development (PDM-1) \$75 million 1992 Support for CPSCCL and local authorities
	USAID HG-003 Upgrading/Core Houses \$20 million 1977/1978 Continue Ibn Khaldoun, Mellassine Upgrading, and CNEL Core Houses	World Bank Fourth Urban Project \$30 million 1986 Continuation of Third Program	USAID HG-005 Private Participation in Environmental Services \$40 million 1993
	World Bank Second Urban Project \$14 million 1979 Upgrading and Sites&Services	USAID HG-004B Urban Development 1986 \$24 million 30 Towns Program with ONAS Servicing	Second Municipal Development (PDM-2) \$80 million 1997 Continuation of PDM-1
		USAID HG-004C	

		Housing Bank 1988 \$15 million Support for Creation of Housing Bank	
		World Bank Fifth Urban Project \$58 million 1989 Support for Housing Bank and Private Sector Participation in Housing	

long period there was a single World Bank lead project officer. Personalities did make a difference. In addition, both USAID and the World Bank had developed over a lengthy period of time a similar appreciation and understanding concerning urban issues and each understood what was actually going on in Tunisia. Finally, the government managed the situation well and insisted that the donors fit in with its development efforts.

5 The RHUDO in Tunisia and the Region

Tunisia was the headquarters of the Regional Housing and Urban Development Office for twenty years, from 1977 until 1997. This continuous presence had a number of advantages. Among these were the building of an intimate understanding of the institutions and the people with whom USAID was working. Continuous presence permitted USAID to offer better informed and more appropriate technical assistance. It permitted USAID to better understand the reasons for delays and changes in programs and permitted Tunisians to better understand American concerns. The end result was a solid grounding in the programs undertaken. This led to increased sustainability and a better foreign aid relationship. Ultimately, this increased familiarity with one another led to increased flexibility on both sides, a feeling of shared goals and objectives even if specific programs might encounter difficulties, increased respect, and a productive relationship. It is doubtful that the same amount of progress could have been achieved without a continuous presence.

RHUDO also managed USAID shelter programs in other countries from the regional office base in Tunisia. Because of this continuous presence and the success achieved, it was possible for USAID to construct a regional center that could operate with credibility in other countries in the region. Primarily, this took place with programs in Morocco, Jordan, Algeria, and Lebanon.

The presence of a functioning program in Tunisia was important for two reasons. The first was that it gave Americans working in Tunisia a “grounding”, the opportunity to work on programs in the country in which they lived, something that was not necessarily

the case for other USAID regional offices, for example in east and west Africa during certain periods of time. This led to greater office efficiencies because work could be planned for all countries in the region that better responded to the needs and timing of each. Secondly, it gave greater credibility to USAID efforts in other countries and allowed for the possibility of relatively inexpensive exchanges among sister countries. This was particularly important in this region because of cultural and language reasons.

Throughout RHUDO's stay in Tunisia, it promoted exchange programs among regional partners. Where Tunisia had something to show another country, or if another country had something to demonstrate to Tunisia, the RHUDO was able to act as an honest broker and facilitate the learning process. These exchanges took place regularly beginning in the late 1970s and continued until RHUDO left Tunisia. Not only did these exchanges involve Tunisia, but also other countries, e.g. Morocco and Algeria, and Morocco and Jordan. Regional seminars and conferences also led to RHUDO being able to reach a number of countries in which there were no USAID shelter and urban development programs.

The major themes of RHUDO's programs in Tunisia became a learning laboratory for the rest of the region. Thus, upgrading, sites & services, core housing, subsidies, decentralization, strengthening local authorities, urban environmental services, community participation, and increasing the role of the private sector were all themes that were examined in detail in the region and which were the basic building blocks of the American-Tunisian program.

6 Conclusions

Tunisia has made remarkable progress in housing and urban development in thirty years. USAID played a major role in this success. There are few countries in the world that have come so far in such a short space of time. This demonstrates that a developing country can succeed in meeting its housing needs.

Tunisia had and continues to have a special relationship with the United States. Tunisia's USAID program was large but constituted only 10 percent of the total amount of United States foreign assistance to Tunisia. Being part of a larger bilateral program of assistance helped in the housing and urban development sector.

Being physically present for twenty years in Tunisia, the RHUDO was able to build an intimate understanding of Tunisian institutions and the people with whom it worked. Continuous presence also permitted the RHUDO to offer better informed and more appropriate technical assistance. The end result was a solid grounding in the programs undertaken. This led to increased sustainability and a better foreign aid relationship. The same amount of progress could not have been achieved without a continuous presence. Furthermore, this progress was an important element for RHUDO within the region. It afforded the RHUDO credibility as it established its regional program.

The Tunisian-American relationship was based upon mutual respect. It was also based upon the knowledge that the RHUDO was committed to remaining in Tunisia on a long-term basis. The twenty year stay of the RHUDO office was an essential ingredient to the success of the partnership. During this period there were only four RHUDO Directors and the Tunisian government officials with whom they worked were likewise relatively few. This also contributed to the success of the relationship.

The long-term tripartite relationship among Tunisia, USAID, and the World Bank was virtually unique in the world. Replication of this relationship in other parts of the world would be a considerable victory for development assistance.

A long-term approach proved essential in Tunisia because changes came slowly. New policies needed nurturing. The use of pilot projects, studies, and workshops was also key to the success of the approach.

RHUDO and Tunisia did not always agree. The Americans sometimes felt that Tunisia could have accomplished even more if it had not been so cautious. But the Americans remained in their proper role and continued to support the Tunisian efforts. This paid off. Problems that had seemed insurmountable became, in the end, manageable. In the final analysis, it was an enviable relationship.