



1. Project Data:		Date Posted : 03/15/2004	
PROJ ID : P042940		Appraisal	Actual
Project Name : Dz-low Income Housing	Project Costs (US\$M)	218.30	161.94
Country: Algeria	Loan/Credit (US\$M)	150.00	41.97
Sector(s): Board: UD - General water sanitation and flood protection sec (32%), Housing construction (25%), Roads and highways (25%), Power (15%), Central government administration (3%)	Cofinancing (US\$M)		
L/C Number: L4361			
	Board Approval (FY)		98
Partners involved :	Closing Date	06/30/2003	06/30/2003
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
Assist the Government of Algeria to improve the living and housing conditions of the residents of urban slums and non-serviced low-income areas in an efficient and sustainable way . Six secondary objectives are: (a) To improve the affordability and financing mechanisms for low-income housing; (b) To increase direct cost recovery from beneficiaries; (c) To increase the efficiency of technical design of low-income housing; (d) To assist the institutions at the central and local level in delivering their responsibilities within the project; (e) To improve environmental and social policy; and (f) To strengthen the institutional capacity for tenure regularization .			
b. Components			
(i) Site Development for Low-income Families (final costs US\$161.59 million): This component was to finance design studies, civil works for land servicing and the construction of core housing units . Sub-projects were of three types: on-site upgrading (5,825 units), off-site resettlement (3,521 units), and new-site development (2,781 units).			
(ii) Training, Studies, and Equipment to Strengthen MoH and CNL Management (final costs US\$0.35 million): The component aimed to strengthen the capacities of local departments of the Ministry of Housing (MoH) through training programs, and the National Housing Agency (CNL)'s management capacity based on a new organizational development plan.			
c. Comments on Project Cost, Financing and Dates			
Actual project costs, US\$161.94 million, were 26 percent less than at appraisal. By the MTR, rising petroleum prices bolstered government revenues, and the MoH asked the Bank to re-allocate uncommitted loan proceeds to a new rural housing component. The Bank decided not to support this request because this new component was not consistent with the project's objectives and there was not enough time remaining in the project for it . The MoH, therefore, requested the cancellation of US\$ 50 million from the Bank loan and an extension of the project closing date. Cancellation was approved, but the extension was not granted due to the low likelihood that the project would attain its objectives. At closing, a total of US\$41.97 million had been disbursed out of Bank's original commitment of US\$150 million at appraisal. The Borrower unusually provided US\$ 119.97 million, almost twice of the planned amount US\$68.30 million. There was no major revision in the design during the implementation, except the changes in the disbursement percentage, prior review threshold, and the addition of participating wilayas from six to twelve .			
3. Achievement of Relevant Objectives:			
(i) Objective (a) was not achieved. During the implementation, MoH introduced a new housing program targeted more at middle-income families, providing subsidies for higher standard houses . This conflicted with the low income priority targeting of the project.			
(ii) Objective (b) was not achieved. Since the beneficiaries would occupy housing units before they had to make any contributions, they had little incentive to pay their contributions, except in the case of new houses where full payment			

was required as a condition of occupancy. Only 4 to 10 percent of expected contributions were collected for on-site infrastructure upgrading and new site development.

(iii) Objective (c) was partially achieved. Under the project, private design engineers explored ways to reduce infrastructure and housing costs by making technical adjustments. At closing, the cost of low income housing per DA 10,000-12,000 and 12,000-15,000 for semi-detached and detached houses was respectively almost the appraisal target of an average cost in real terms.

(iv) Objective (d) was partially achieved. A study on housing finance and real estate and land markets was carried out. Training for the CNL was carried out. However, other activities such as training programs for local units, studies on local fiscal resources, monitoring and evaluation, and the establishment of a housing database, were not carried out.

(v) Objective (e) was partially achieved. Under the project, environmental assessments and resettlement plans were integrated into sub-projects. As this is the first case for the country to take such a comprehensive approach, there are still implementation issues (for example, delay in completing primary networks prior to resettlement, beneficiaries' request to obtain their plot free of charge, refusal for resettlement, etc.). Since insufficient evidence was reported, achievement of resettlement plans could not be separately evaluated.

(vi) Objective (f) was not achieved. No major steps were taken by the State Property Department and MoH to improve its practices and streamline the delivery of land titles in an effective way.

4. Significant Outcomes/Impacts:

(i) While it is recognized that the project failed to achieve its basic development objective, by bringing housing and infrastructure and basic services to poor neighborhoods, it improved living conditions of slum residents.

(ii) The per m2 construction cost for low-income housing has been reduced. The cost of a serviced site, from DZD 800 to DZD 2,000 per m2, is nearly half of the appraisal target cost, DZD 1,600 in 1996 value or DZD 2,100 in 2003 value, although the positive impacts of decreased per m2 price has been offset by the increased standard of the low-income housing.

(iii) The project did help to improve the performance of local operators and introduced quality and economy into program design and execution. For the first time, social and environment issues were taken into account in housing and slum-upgrading projects.

5. Significant Shortcomings (including non-compliance with safeguard policies):

(i) The number of households benefiting from completed works by 2003 was 12,127, or 24 percent of the projects' initial objective of 50,000. The number of households hoping to benefit soon from on-going works, assuming that they are successfully completed, is estimated at 17,820 (35.6 percent), bringing the total number of beneficiaries to 29,947 (59.6 percent). Beneficiaries who have paid their contributions are few in number.

(ii) According to the analysis, only 14 percent of government assistance goes to the lowest 25 percent of urban households. The greatest share of government assistance, 86 percent, goes to households with middle incomes.

(iii) The Government reverted to its previous strategy of providing housing directly in parallel programs focusing on middle-income families with larger subsidies per family. This was inconsistent with the focus of the project.

Would-be beneficiaries of the project were then discouraged to participate. Local implementation agencies were also uncertain about the MoH's priority, focused less on the Bank-supported projects.

(iv) During implementation of the project, MoH became skeptical about the effectiveness of addressing the issue of emerging urban slums, and as a result, cut its logistic support essential for its implementation.

(v) Local implementation agencies involved in upgrading slums still have not developed the capacity to use complex housing finance schemes, update information on beneficiaries, and mobilize beneficiary participation.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev.:	Negligible	Negligible	
Sustainability:	Unlikely	Unlikely	
Bank Performance:	Unsatisfactory	Unsatisfactory	
Borrower Perf.:	Unsatisfactory	Unsatisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

(i) It is important to understand the degree of a Borrower's political commitment to a project and how economic and political changes might affect that commitment.

(ii) A flexible project design would be useful to facilitate adjustments in the project if policy changes. In designing a project with a phase approach, a well-defined monitoring and evaluation mechanism would be important so that the Bank and the Borrower can monitor performance and make necessary changes.

(iii) Up-front commitments from beneficiaries are needed. Once the sub-projects are in place, operators face various resistance from the beneficiaries to pay. Alternative scenarios such as use of resident savings as an incentive and screening device to which subsidies could be attached could have been considered.

(iv) Having institutional arrangements for the provision of land tenure is critical for successful housing outcomes .

8. Assessment Recommended? ☒ Yes ☐ No

Why? The project was a new approach to housing policy in Algeria, which supported slum upgrading by providing infrastructure and housing but failed . PPAR could provide further lessons in designing a new approach that can succeed notwithstanding the volatile policy environment .

9. Comments on Quality of ICR:

The report provides a good discussion of evidence supporting the positive and negative assessment of the project . However, the ICR does not sufficiently analyze why during project preparation the Bank failed to identify the policy and institutional development risks inherent in the project design . The ICR could also have provided more information on the handling of the resettlement issue . Finally, there are some errors in the project cost table that incorrectly report physical and price "contingencies" in closing.