Second housing finance project

Report No: ; Type: Report/Evaluation Memorandum ; Country: Morocco; Region: Middle East And North Africa; Sector: Urban Development Adjustment; Major Sector: Urban Development; ProjectID: P005434

The Implementation Completion Report (ICR) on the Morocco Second Housing Finance project (Loans 3121 and 3122-MOR, approved in FY89), was prepared by the Middle East and North Africa Regional Office, with Annexes A and B contributed by the two Borrowers. Loan 3122 for US$77.5 million equivalent to the Crédit Immobilier et Hôtelier (CIH) and Loan 3121 for US$3 million to the Kingdom of Morocco were approved on September 14, 1989. Loan 3122 was closed in December 1994 as scheduled, fully disbursed. Loan 3121 was closed in June 1995 with 73.4 percent of the loan canceled.

This was the Bank's second project in housing finance and it followed the model of the previous project (Loan 2245, closed in 1989). The project objectives were: (i) to assist CIH in mobilizing resources for financing housing construction and acquisition; (ii) to increase the relative share of investment and credit addressed to low- and moderate-cost housing; and (iii) to rationalize the land development and housing production processes in order to facilitate low-cost construction. The project provided CIH with: (i) a line of credit of US$77 million to support its lending for low-moderate cost housing and (ii) technical assistance funds (US$500,000) for five studies to: (a) review the characteristics of the housing supply system; (b) assess the features and market potentials of three new loan types; (c) assess the impact of regulations on the housing production process; (d) adapt CIH's management information and internal audit systems to its new depository activity; and (e) improve the preparation of urban master plans. The objective of the loan to the Government was to upgrade the capability of two key ministerial departments to facilitate land and housing development.

Loan 3122, which financed a time slice of CIH's loans, was disbursed in about two years instead of the planned six years; this reflected the pent-up demand for affordable housing at interest rates close to market rates. CIH financed 10,800 houses or lots under the project. Although less than the appraisal target of 15,000, the main objective of providing resources to CIH for loans to developers and low-income home buyers was largely achieved. The objective of increasing CIH's share of investment and credit to low-cost housing program was not achieved: CIH's commitments for the Habitat Bon Marché program were only 9 percent from 1989 to 1994 compared to 10 percent before the project.

The policy objective to rationalize land development and housing construction was not achieved during project implementation. The first four studies were completed (the fifth one was canceled), but they have not yet brought about policy and regulatory reforms. The Government lacked sufficient commitment to do so, although it is now showing a keen interest to develop and implement an action plan according to the ICR.

The Operations Evaluation Department (OED) rates the project's outcome as marginally satisfactory, institutional development as negligible, sustainability as likely, and Bank performance as satisfactory. These ratings are consistent with those in the ICR; OED, however, has shaded down the outcome and institutional development ratings because of the above mentioned lack of progress on the institutional and policy fronts.

The CIH project is sustainable because the mortgage loans are being serviced and CIH expanded its resource base by collecting sight deposits as commercial banks do. CIH's financial performance on the housing side remained satisfactory with all covenants being met. Although the objective of increasing CIH lending for low-cost housing during 1989-94 was not met, it was not for lack of funding.

The main lessons learned are: (i) shifting housing production towards affordable standards requires more than high demand and funding (which were both present in this case), but also enabling regulatory changes to free urban land and encourage production by the private sector; and (ii) a large package of studies to convince the authorities to start a reform program is not sufficient if not accompanied with a loan agreement to ensure that minimum steps are taken.

The ICR is satisfactory; it provides good data and analysis, and it covers most areas well, except for the project's future operation which is only dealt with indirectly by discussing some of the requirements for future Bank involvement in the sector.

No audit is planned.