Project Name: Algeria-Low-Income Housing Project (A)
Region: Middle East and North Africa
Sector: Housing
Project ID: DZPA42940
Borrower: Democratic and Popular Republic of Algeria
Implementing Agencies: Ministry of Housing, Algiers, Algeria
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Background

1. Ten years of economic decline combined with a population growth of 2.7 percent, a 20 percent per capita income drop since 1985 and high unemployment have all seriously affected the issue of Algerian society. Rapid urban migration, encouraged by past agricultural and industrial policies, has resulted in a severe housing shortage and growing environmental problems, giving rise to an overall housing shortage estimated at two million units for a population of 26.7 million and 4 million households. The occupancy ratio of 8.5 persons/unit is one of the highest among middle-income countries. Moreover, the housing stock is in need of upgrading since 55 percent of existing dwellings were built before independence and 10 percent do not meet basic standards of safety and hygiene. This housing crisis has led to a rapid development of slum areas (bidonvilles).

2. The Government’s willingness to upgrade slum areas and to undertake a new approach has grown over the past few years and is now a top priority. During 1995, the Ministry of Housing successfully launched pilot operations aiming at reducing completion delays and construction costs for housing the poor. The project would build upon these initiatives to further improve the affordability of housing programs by the poor, incorporate private participation in these programs, and thus expand and speed up the slum upgrading process in Algeria.

Project Objectives

3. The main objective is to improve access to basic services and upgrade housing for the urban poor concentrated in slum areas and illegal settlements in Algeria. The project will launch new policies for land servicing and house upgrading which will: (a) increase participation of the private sector, resident associations and
beneficiaries; (b) regularize tenure; (c) use planning standards to avoid excessive land use and extensive relocation; and (d) implement innovative financing schemes that can be adapted to household incomes.

Project Description

4. The project will address part of the slump upgrading issue in Algeria by proposing to upgrade illegal settlements corresponding to 80,000 lots, and the reconstruction of about 15,000 slum dwellings. From a list of proposed developments already established by the Algerian Government or its representatives at the local level, the Bank will select a significant representative sample, as a first set of pilot subprojects. An overall framework with agreed criteria on subproject selection drawn up on the basis of this first set, will help the Algerian Government to prepare the next set of subprojects which will be appraised during the four years of the project. Three categories will be represented: (i) settlements lacking basic services and adequate sanitary facilities with satisfactory housing, and where only infrastructure construction will be needed; (ii) illegal settlements where both infrastructure and housing construction are needed; and (iii) new developments. The selected subprojects will serve as illustrations of best practice for technical design, financing, environmental and socioeconomic assessment, and institutional set-up.

5. The proposed project will consist of three components: (i) basic infrastructure improvement such as streets, water supply, sewerage, drainage, electricity, and/or solid waste management; this component will also include land titling; (ii) low-cost housing construction and upgrading through financing or supply of core units to families according to their income level; and (iii) a training and technical assistance component to implement the design studies, and strengthen management and maintenance systems of project agencies.

Project Benefits

6. The project would substantially improve urban services, sanitary conditions, and housing quality and it would benefit about 500,000 people, most of them from the poorest strata of society. Moreover, the project would improve rehabilitation management and institutional arrangements, and would contribute to the implementation of the housing reform program, facilitate privatization of local construction enterprises, and facilitate title trading for the poor.

Project Implementation

7. Institutional framework CNL (Caisse Nationale du Logement) will play the main role, coordinating the project and managing its resources (both from the loan and the Fonds National pour le Logement-FONAL). It will coordinate the activities of the agencies and the private sector and reimburse the construction enterprises contracted with the implementing agencies (AFL-Agences foncières locales, AADL-Agence d'amélioration et de développement du Logement, and DUCH-Direction de l'Urbanisme, de la Construction et de l'Habitat).

8. The Government will contract with a consultant before appraisal to
manage the technical aspects of the project. This unit will review: (i) the implementing agencies; capacity; and (ii) the criteria for subproject appraisal during implementation. Each implementing agency will be responsible for a particular set of sites. It will obtain title to the land, carry out competitive bidding (using Bank guidelines), and supervise the construction of buildings and infrastructure.

9. Construction of core houses of 35 to 50 square meters or improvement of dwellings would be financed by a combination of up-front grants, loans and down payments. Distribution between them would depend on the household income and the application of a new housing subsidy scheme to be set up in the framework of the ongoing Housing Completion and Sector Development Project (Loan 3561-AL) and the proposed Housing Sector Adjustment Loan (HSAL). A beneficiary’s down payment may vary and be marginal for the poorest. Up-front grants would be managed by CNL and loans by CNEP as newly restructured under the HSAL; a line of microcredit could also be established for low-income families; beforehand, ANC (Agence Nationale du Cadastre) along with CF (Conservation Foncière) would register land and deliver land titles. On a pilot basis, local residents’ associations would participate in beneficiary selection. Involvement of local residents in the subproject design and financing will greatly facilitate the process.

10. The Social Safety Net mechanism could be applied in a few specific cases if the Government is interested and would have a double objective: (i) promote labor intensive construction; and (ii) assist the Social Safety Net project in promoting a bottom-up approach.

Project Financing

11. Total project cost is currently estimated at US$200 million with a proposed Bank loan of US$100 million. Cofinancing prospects are being sought.

Project Sustainability

12. Appropriate urban standards would increase the affordability of lots and housing units, while cost recovery would be sought through municipal taxation and payment against land titles. The proposed Housing Infrastructure project (FY99) under preparation will increase substantially the serviced land supply to prevent the extension of slum areas. This will support overall sector improvement beyond project completion.

Lessons from Past Operations in the Country/Sector

13. The Bank’s past operations in the sector include two housing sector works, the Housing Completion Project and the Social Safety Net Project under preparation, and the Mascara Emergency Reconstruction Project. Project objectives and conditionalities will build upon the experience of these operations. Experience from recent projects in this country shows that the preparation process could take longer due to bureaucratic procedures or other unexpected issues, such as the absence of field missions.
14. The ex-post evaluation of similar projects in Tunisia, Venezuela and Ethiopia points to three critical issues for project success: (a) strong involvement of local residents through participation of local organization; (b) emphasis on institutional aspects; and (c) keeping demolition and property relocation to a minimum. The proposal to use up-front grants to increase housing affordability could benefit from the Chilean experience.

Environmental Aspects

15. A large measure of flexibility is proposed for environmental aspects to address the ‘emergency’ issue of preparation: each of the subprojects would be classified according to its environmental impact, and the overall project is tentatively proposed in category ‘A’. Street paving and storm drainage will produce significant reduction in erosion and significant benefits in the disposal of unsanitary material. Sewerage and solid waste disposal, however, will require special safeguards.

Program Objective Categories

16. Since the population from slum areas belongs to the 20 percent lowest category, the project will help alleviate poverty. It would also promote private construction enterprises and would facilitate the development of microenterprises under the privatization program.

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Note: This is information on an evolving project. Certain components may not necessarily be included in the final project.

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