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ALGERIA HOUSING COMPLETION AND SECTOR DEVELOPMENT PROJECT
IS TARGET OF \$200 MILLION LOAN

Washington, D.C., March 4, 1993 -- An unprecedented loan of \$200 million will go toward supporting the Government of Algeria (GOA) housing completion and sector development project. Among the proposed project components is the completion of about 51,000 social housing units which are expected to benefit low and medium-income families.

Demand for housing has soared in Algeria in the last three decades as the population more than doubled to reach 25 million. The GOA's attempts to remedy the worsening housing shortage has been hampered by severe financial, technical, and institutional bottlenecks. Those range from the unavailability of critical building materials, to housing completion delays of up to 10 years, and a housing subsidy scheme that is, in effect, unsustainable.

The main objective of the project is to trigger a quick housing supply response, and to support and enhance the GOA's medium-term goal of realizing market-oriented reforms in the housing sector. In addition to the completion of social units, the proposed project also includes: an import program of critical building materials for the private sector, a technical assistance program focusing on housing finance and housing subsidies reforms, and the provision of specific support to mitigate negative environmental impact of the housing construction sector.

This project will go a long way in supporting the GOA's objectives of accelerating the supply of housing units and undertaking an in-depth reform of the housing sector. The GOA's short-term aim is to enhance the private sector to complete 450,000 unfinished housing units and to support public sector entities as they complete 265,000 units. As for sector reform, the GOA aims at creating a sustainable environment for a housing market by setting up a new institutional framework with a more balanced public versus private sectors role and by gradually removing critical constraints on property rights, housing finance, and housing subsidies.

The first World Bank loan ever in support of an Algerian housing project is for 17 years, including a 5-year grace period, at the Bank's standard variable interest rate. Loan beneficiaries will be the Ministry of Housing and several public housing agencies, such as the Entreprises de Promotion et de Logement Familial and the Offices de Promotion et de Gestion Immobiliere. The private construction sector is also a loan beneficiary.

NOTE: Money figures are expressed in U.S. dollar equivalents.